INTESA SANPAOLO

Annual Report 2009
























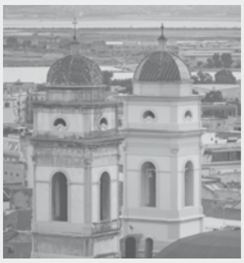


This is an English translation of the Italian original "Bilanci 2009" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.

This document contains certain forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

- *the Group's ability to successfully integrate the employees, products, services and systems of mergers and acquisitions;*
- *the impact of regulatory decisions and changes in the regulatory environment;*
- *the impact of political and economic developments in Italy and other countries in which the Group operates;*
- *the impact of fluctuations in currency exchange and interest rates;*
- *the Group's ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries; and*
- *the Group's ability to finalise capital management actions on its non-core assets (including disposals, either full or partial, partnerships, listings, etc.).*

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Supervisory Board
of 12 April 2010

Ordinary Shareholders' Meeting
of 28 - 30 April 2010

Report and consolidated financial statements
of the Intesa Sanpaolo Group 2009

Report and Parent Company's
financial statements 2009

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 6,646,547,922.56 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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Intesa Sanpaolo Group network

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,817	Intesa Sanpaolo Private Banking	68
	Banca CR Firenze	67
	Banca Fideuram	38
	Banca Prossima	17
	BIIS	5
	Banca di Trento e Bolzano	3
	Mediocredito Italiano	2
	Banca IMI	1
	Cassa di Risparmio del Veneto	1

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
435	Banca CR Firenze	436
	Casse del Centro	280
	Banca dell'Adriatico	90
	Banca Fideuram	22
	Intesa Sanpaolo Private Banking	16
	Banca Prossima	8
	BIIS	4
	Banco di Napoli	4
	Mediocredito Italiano	3

NORTH EAST

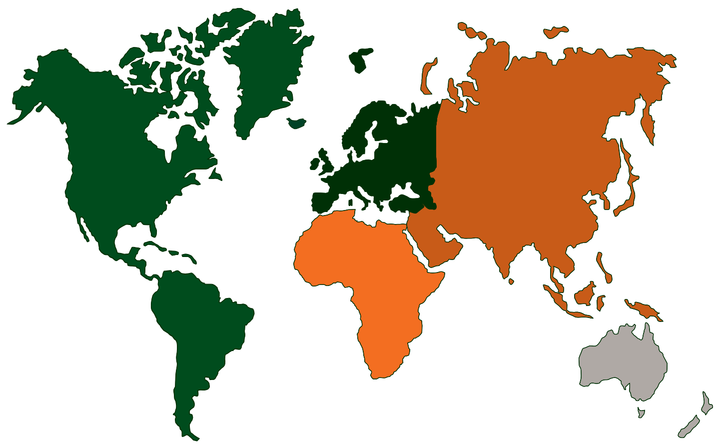
INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	Cassa di Risparmio del Veneto	497
	CR in Bologna	226
	CR del Friuli Venezia Giulia	166
	CR Venezia	129
	CR di Forlì e della Romagna	120
	Banca di Trento e Bolzano	99
	Banca CR Firenze	53
	Intesa Sanpaolo Private Banking	42
	Banca Fideuram	22
	Banca Prossima	10
	BIIS	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
6	Banco di Napoli	779
	Banca dell'Adriatico	130
	Intesa Sanpaolo Private Banking	22
	Banca Prossima	13
	Banca Fideuram	10
	Casse del Centro	10
	BIIS	4
	Mediocredito Italiano	2
	Banca CR Firenze	1

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
201	Banca di Credito Sardo	93
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Banca Prossima	4
	BIIS	2
	Mediocredito Italiano	1



EUROPE

Direct Branches	Representative Offices
Amsterdam	Barcelona
Athens	Brussels[1]
Dornbirn[2]	Istanbul
Frankfurt	Moscow
Innsbruck[2]	Stockholm
London	Warsaw
Madrid	
Munich	
Paris	
Vienna	

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	224
Czech Republic	VUB Banka	1
Greece	Intesa Sanpaolo Bank Albania	4
	Banca IMI	1
Hungary	CIB Bank	151
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Principality of Monaco	Banca Fideuram	1
Romania	Intesa Sanpaolo Bank Romania	96
	Banca CR Firenze Romania	20
Russian Federation	Banca Intesa	79[#]
Serbia	Banca Intesa Beograd	208
Slovakia	VUB Banka	247
Slovenia	Banka Koper	54
Switzerland	Banca Fideuram	2
	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	495
United Kingdom	Banca IMI	1
	BIIS	1

AMERICA

Direct Branches	Representative Offices
George Town	Buenos Aires
Nassau	Los Angeles
New York	Mexico City
	Santiago
	São Paulo

ASIA

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

AFRICA

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

Figures as at 31 December 2009.
(#) Pro-forma figure
(1) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk.
(2) Branches of Italian subsidiary Banca di Trento e Bolzano.

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairmen	Antoine BERNHEIM Rodolfo ZICH
Members	Carlo BAREL DI SANT'ALBANO Rosalba CASIRAGHI Marco CIABATTONI Giovanni COSTA Franco DALLA SEGA Gianluca FERRERO Angelo FERRO Pietro GARIBALDI Giulio Stefano LUBATTI Giuseppe MAZZARELLO Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Ferdinando TARGETTI Livio TORIO Riccardo VARALDO

Management Board

Chairman	Enrico SALZA
Deputy Chairman	Orazio ROSSI
Managing Director and Chief Executive Officer	Corrado PASSERA
Members	Aureliano BENEDETTI Elio CATANIA Giuseppe FONTANA Gian Luigi GARRINO Virgilio MARRONE Emilio OTTOLENGHI Giovanni PERISSINOTTO Marcello SALA

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

(*) up to 09 February 2010
(**) from 09 February 2010
(***) as of 15 March 2010. Deputy to the CEO

Letter from the Chairmen

Distinguished Shareholders,

Starting from last summer Italy too has entered a phase of recovery, albeit as yet uncertain and fragile, from the economic downturn, which had began in the second half of 2008 and gained momentum during 2009, triggering a recession of such intensity and duration as had not been seen in the past 80 years.
In this context, despite the marked contraction in loan demand and the deterioration of businesses' creditworthiness, Italian banks have continued to play their part in supporting the economy. Against a substantial decline in industrial production, turnover and export, business lending in the main held up, and household lending continued to grow. While we steered clear of any indiscriminate credit tightening, we paid due attention to customer selection and strengthened our in-house expertise to contain the increase in doubtful loans.
We also launched and pursued a series of initiatives to support households and businesses. A few of the most significant for our Group were the temporary suspension of mortgage repayments and the moratorium on SMEs' debt; in addition we designed a broad range of products to assist economic recovery.
In a year of severe recession for the global economy, Intesa Sanpaolo has confirmed its role as one of the world's strongest banking groups, maintaining truly excellent levels of liquidity, asset quality and leverage. The carefully pondered decision made last year not to distribute dividends despite having closed the year with a profit, proved to be farsighted. Indeed, it was the starting block in a route which has led to significant strengthening of our capital base without recourse to public measures or capital increases.
The resumption of dividend distribution, which we propose for 2009, also in the light of the results achieved in the previous two periods, shows that overall, despite the severe economic and financial recession, the Group's first three years of life have been marked by growth. The results achieved over this period would not have been possible had the project, which led to the birth of Intesa Sanpaolo, not proved to be a sound business choice from all viewpoints: governance and effectiveness of the dual model; market coverage and organisational model of the Banca dei Territori model and, last but not least, the speed with which operational integration and IT migration were completed.
We also remained true to our original choice to pay close attention to the territory and be a reliable partner for local economic players.
Banca dei Territori, with its eight Regional Governance Centres and 20 local banks, is the organisational model through which our whole Group, in its various elements, combines widespread geographical reach and attention to the needs of local communities delivered via the local banks with the services and know-how of a great international bank.
Through this policy, the Group applies two key principles: putting the customer at the centre and ensuring that as a rule savings are employed in the same area in which they are collected. This in

turn leads to increasing awareness and a strong sense of responsibility towards all the communities with which we operate.
We intend to further refine our banking model to enable our Group to continue along its path of sustainable growth, which has already proved to be successful.
The results achieved in all the Group's main business areas confirmed that this approach was the best choice to deliver on our commitment to be a bank that pays attention to the needs of households, supports the competitiveness of businesses, assists Italy's requirements in terms of infrastructure development and public administration upgrading, and meets the needs of the non-profit sector.

As to the macroeconomic outlook, we expect 2010 to be a transitional year, during which the consequences of the crisis will continue to be felt. A return to growth is expected, driven by the rising trend in exports, but the recovery outlook remains fragile, weighed down as it is by major uncertainties, most notably due to the presence of broad margins of unused production capacity, high unemployment levels, and the weak state of public finances in many industrialised countries.

Distinguished Shareholders,

2009 closed with results which, seen against the current macroeconomic environment, can be defined as positive.
Consolidated net income was 2,805 million euro, up 9.9% from the previous year; this result was achieved through management policies that generated sustained profitability. In particular, we draw your attention to the largely stable revenue, the growth in the average volume of both deposits and loans, the reduction in operating costs and the containment of adjustments to loans.
In the framework of a sustainable dividend payment policy, the Management Board has resolved to propose to the Ordinary Shareholders' Meeting the distribution of one billion euro of dividends, amounting to 0.08 euro per ordinary share and 0.091 euro per savings share.
We trust that you will see our proposal as confirmation of the efforts we have made to ensure, consistently with our past policy, positive profitability coupled with our steadfast will to make Intesa Sanpaolo an increasingly solid and reliable player, deserving the trust of all stakeholders, in particular investors and customers, who remain at the centre of our banking philosophy.

Giovanni Bazoli Enrico Salza

Intesa Sanpaolo Group
Report on operations and consolidated financial statements

Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2009 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent update of 18 November 2009.
These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements; the Report on operations, on the economic results achieved and on the Group's balance sheet and financial position has also been included.
In support of the comments on the results for the year, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the relevant financial statements as required by Consob in its communication 6064293 of 28 July 2006 is included in the Attachments. The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly development, and other alternative performance indicators – not taken from or directly attributable to the Consolidated financial statements.
The website of Intesa Sanpaolo, at group.intesasanpaolo.com, contains the press releases issued during the year together with other financial documents.

REPORT ON OPERATIONS

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

	2009	2008	Changes amount	%
Income statement (in millions of euro)				
Net interest income	10,486	11,518	-1,032	-9.0
Net fee and commission income	5,341	5,698	-357	-6.3
Profits (losses) on trading	1,122	-53	1,175	
Income from insurance business	437	400	37	9.3
Operating income	17,480	17,841	-361	-2.0
Operating costs	-9,459	-9,851	-392	-4.0
Operating margin	8,021	7,990	31	0.4
Net adjustments to loans	-3,706	-2,566	1,140	44.4
Income after tax from discontinued operations	169	1,195	-1,026	-85.9
Net income	2,805	2,553	252	9.9
Balance sheet (in millions of euro)				
Loans to customers	374,033	394,672	-20,639	-5.2
Direct customer deposits	421,944	422,636	-692	-0.2
Indirect customer deposits	416,798	406,948	9,850	2.4
of which: Assets under management	*225,839*	*213,786*	*12,053*	*5.6*
Total assets	624,844	636,133	-11,289	-1.8
Shareholders' equity	52,681	48,954	3,727	7.6
Operating structure				
Number of employees	103,718	108,790	-5,072	
Italy	*70,804*	*72,707*	*-1,903*	
Abroad	*32,914*	*36,083*	*-3,169*	
of which: atypical labour contracts	*555*	*483*	*72*	
Number of financial advisors	4,292	4,477	-185	
Number of branches [a]	7,884	8,399	-515	
Italy	*5,991*	*6,366*	*-375*	
Abroad	*1,893*	*2,033*	*-140*	

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.

	2009	2008
Profitability ratios (%)		
Cost / Income	54.1	55.2
Net income / Average shareholders' equity (ROE) [(a)]	5.5	5.2
Economic Value Added (EVA) [(b)] (in millions of euro)	242	61
Risk ratios (%)		
Net doubtful loans / Loans to customers	1.4	1.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	67.4	69.6
Capital ratios (%) [(c)]		
Tier 1 capital [(d)] net of preference shares / Risk-weighted assets (Core Tier 1)	7.1	6.3
Tier 1 capital [(d)] / Risk-weighted assets	8.4	7.1
Total capital [(e)] / Risk-weighted assets	11.8	10.2
Risk-weighted assets (in millions of euro)	361,648	383,072
Basic earnings per share (basic EPS) [(f)] – euro	0.22	0.20
Diluted earnings per share (diluted EPS) [(g)] – euro	0.22	0.20
Shares [(h)]		
Number of ordinary shares (thousands)	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	3.165	2.519
Average share price for the period - ordinary share (euro)	2.569	3.834
Average market capitalisation (in millions of euro)	32,228	48,639
Book value per share (euro)	4.447	4.132
Long-term rating		
Moody's	Aa2	Aa2
Standard & Poor's	AA-	AA-
Fitch	AA-	AA-

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

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

[(b)] The indicator 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)] Ratios as at 31 December 2008 are determined using the methodology set out in the Basel 2 Capital Accord, adopting the standardised methods for the calculation of credit risk-weighted assets and for calculation of operational risk.

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

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

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

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

[(h)] Figures for 2008 not restated. Book value per share does not consider treasury shares.

Intesa Sanpaolo Group – Financial highlights and alternative performance measures by business area

Income statement (in millions of euro)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating income	10,418	12,017	3,551	2,138	398	353	2,215	2,288	323	360	611	621
Operating costs	-6,116	-6,382	-852	-865	-81	-80	-1,137	-1,226	-138	-146	-328	-327
Operating margin	4,302	5,635	2,699	1,273	317	273	1,078	1,062	185	214	283	294
Net income	1,212	1,359	1,273	208	116	59	364	187	95	-205	93	-720

Balance sheet (in millions of euro)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans to customers	184,561	192,950	101,527	112,435	40,890	38,830	29,511	29,847	171	-	1,982	1,802
Direct customer deposits	225,489	218,225	93,215	83,405	6,203	5,205	27,583	28,212	3	-	7,502	6,583

Profitability ratios (%)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Cost / Income	58.7	53.1	24.0	40.5	20.4	22.7	51.3	53.6	42.7	40.6	53.7	52.7
ROE [(a)]	12.0	13.2	16.3	2.5	11.7	6.1	19.0	9.5	190.0	n.s.	30.0	n.s.
Economic Value Added (EVA) (in millions of euro)	758	1,530	508	-505	21	-34	105	280	127	149	147	151

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

[(a)] Ratio between Net income and Allocated capital.

Executive summary

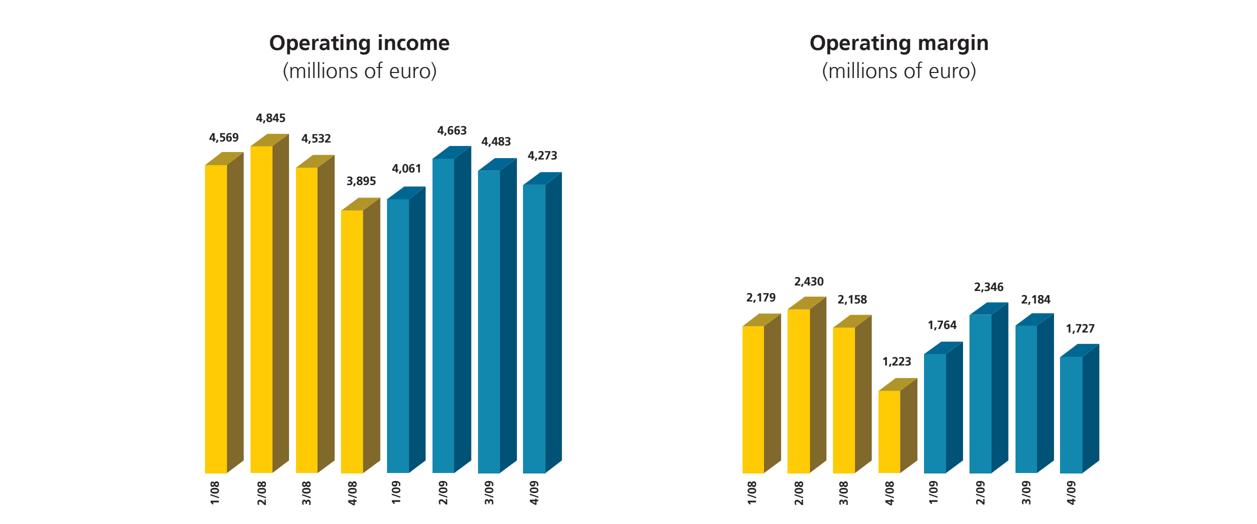
Intesa Sanpaolo in 2009

Economic trends in 2009

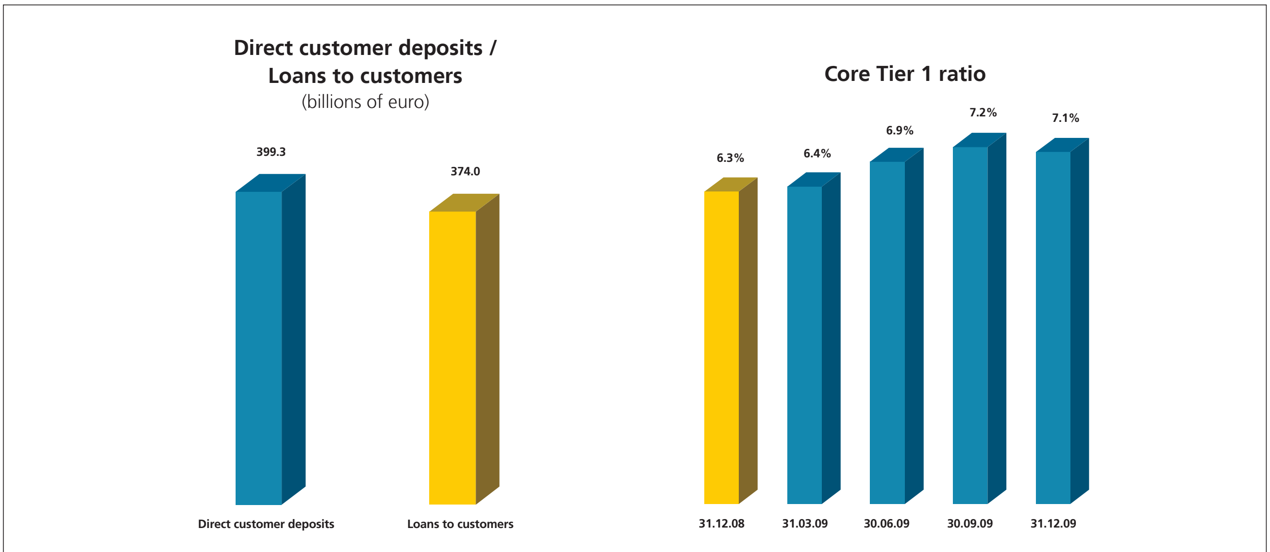
The performance of the economy in industrialised countries in 2009 was, as predicted, negative. Contraction in industrial production and in other economic indicators was especially strong in the first quarter. The negative curve only started to flatten out around midyear.
The production system reacted to the fiscal and monetary stimulus policies, which managed to contain the decline in production levels. Budgetary policies and financial support measures helped come out of the liquidity crisis and restore some confidence in the markets. Internal demand in emerging countries largely held up, favouring the recovery of world trade.
In the framework of the anti-crisis strategy, official interest rates were cut to historical lows, and the abundant injections of liquidity brought monetary rate levels close to zero on the shortest positions.
Against this background, bank interest rates reached all-time lows, and the spread between lending and funding rates narrowed considerably.
Thanks to improved financial market conditions and the easing of the liquidity situation from the extraordinary tensions recorded in the preceding two years, in 2009 banks returned to raising funds on the wholesale market and making capital increases. Italian banks also strengthened their capital base, through a range of actions, including disposals of non-strategic assets, the allocation to capital of a substantial share of profits, capital increases, and, in a few cases, public subsidies.
Direct deposits confirmed its key role for Italian banks, continuing to grow at a fair pace, albeit slowing down somewhat. The performance of bonds remained substantially higher than the eurozone, as was the performance of direct deposits.
Loans to customers progressively slowed down along the year, as the effects of the most severe economic recession since the 1930s continued to unfold, limiting the demand for loans and leading banks to adopt a more cautious lending policy. Due to the difficulties engendered by the recession, the incidence of non-performing loans showed a gradually rising trend, which is expected to continue into 2010.
Nevertheless, throughout 2009 the performance of Italian banks in the loans to businesses sector remained markedly higher than the trends in the main economic factors which determine demand in this sector: in fact, industrial production, investments and exports all experienced sharp contractions in the year.
Around year-end, the credit environment started to show signs of improvement. While it remained weak, the trend in private sector loans picked up somewhat, mostly driven by the recovery in loans to households. The businesses' perception of the conditions for access to loans improved, and banks reported an easing up of the tightened conditions for the granting of loans, also highlighting the end of the decline in loan demand.

The results for 2009

The results for 2009 reflect the overall negative situation of the economy. In a year of strong recession, which is having an inevitable effect on the cost of credit, Intesa Sanpaolo was nevertheless able to reach appreciable levels of operating income, through careful management of lending and deposit collecting activities, interest rate risk hedging policies, attentive selection of opportunities in financial instruments dealing and effective operating cost control.
It should be noted that the last two years were marked by deeply different operating environments: the second half of 2008 saw an unprecedented financial market crisis, which required the recognition of substantial impairment losses on financial instruments as well as on intangible assets; in 2009 the shockwaves of the crisis hit the real economy, causing a negative impact on loan portfolio value. Consequently, the values of net income for the two years (2,805 million euro in 2009 and 2,553 million in 2008) are hardly comparable, given that they were influenced by deeply different conditions.
As to in-year developments, 2009 saw the gradual reduction in income from interest margin, mainly due to the rate cuts, counterbalanced by a gradual recovery in fees and commissions, mainly driven by the increase in security dealing and portfolio management fees and commissions, consequent to the financial market recovery which positively affected trading activities, especially in the second and third quarters. The performance of financial intermediation, since during the year the gradual reduction in income from interest margin was offset by the gradual pickup in commissions and by the constant operating cost containment policy, was directly reflected on operating income performance, which came to more than 2 billion euro in the two mid-year quarters and 1.7 billion euro in the first and fourth quarters.

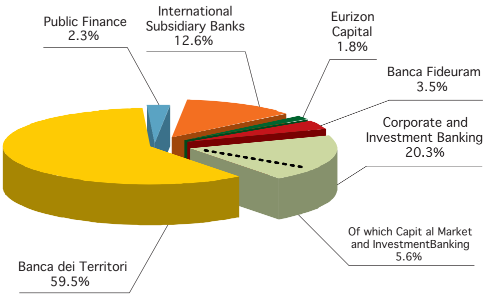


It should be considered that the results were achieved in the framework of a policy that focused on three factors considered of key importance in the current crisis: solidity, liquidity and risk profile.
With regard to solidity, the actions carried out during the year yielded marked improvements in capital ratios through the Group's operational management: Core Tier 1 rose from 6.3% at 31 December 2008 to 7.1% at 31 December 2009. Moreover, the Group's asset structure continues to be low-leveraged, with a ratio of shareholders' equity to total assets net of intangible items close to 5%, the highest among the main European banks and up from the previous year.
With regard to liquidity, direct customer deposits (70% of which from the retail segment) equal to 399 billion euro (net of the liabilities of the insurance segment) are markedly higher than the corresponding loans to customers (374 billion euro), interbank position is well balanced and eligible assets with Central Banks have almost doubled on year-end 2008.

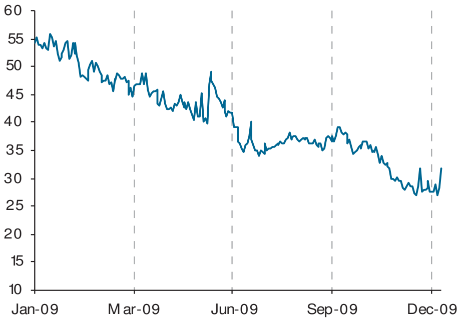


The overall risk profile continues to be low, with regard both to lending and deposit collection activities, due to the strong foothold on the domestic retail market, and to financial market activity, due to the small incidence of capital market and investment banking activities on the Group's accounts (5.6% of consolidated operating income) and to low and appreciably decreasing VaR of the trading book.

**Operating income:
Breakdown by business area**



**Market risks trend:
operational VaR** (millions of euro)



Coming to the various items of operating income, interest margin, came to 10,486 million euro, down 9% on the previous year, mainly due to the narrowing spread driven by the reduction in mark-down as a consequence of market rate cuts. Careful pricing monitoring, which made it possible to improve the mark-up, together with selective growth in volumes traded with customers and effective hedging policies softened the impact of interest rate contraction.

Net fee and commission income (5,341 million euro) declined 6.3% from the previous year, but showing a gradual recovery in the course of 2009 and returning in the last quarter to the levels of the first two quarters of 2008. The reduction with respect to 2008 is mainly attributable to asset management which, especially in the first half of 2009, was negatively affected by the performance of financial markets and by the consequent low risk appetite of customers.

Despite the highly unstable market environment, trading of financial instruments in the year generated profits of 1,122 million euro, driven by the contribution of interest rate activities – mainly trading on debt instruments and interest rate derivatives – and due to the disappearance of the negative effect of structured credit products, which had heavily affected results in 2008.

Income from the insurance business (437 million euro) rose 9.3% on 2008 also thanks to the greater contribution from financial management, which benefited from the improved market climate, especially in the central part of the year.

Operating costs amounted to 9,459 million euro as at 31 December 2009, down 4% on 2008 and confirming the trend of the previous years. In particular, a decrease was recorded both in personnel expenses (-2.2% on 2008), and in administrative expenses (-4.2%) thanks to the many structure optimisations; another important contribution was the decrease in amortisation and depreciation.

After recognising other operating income of 48 million euro (down sharply from the 140 million euro of 2008, which was driven by the positive conclusion of a transaction), the operating income came to 8,021 million euro, slightly higher than the previous year.

In the year, provisions and value adjustments came to 4,238 million euro, down from the 4,898 million euro of the previous year, albeit referable to different items. While last year the eruption of the financial crisis and a pessimistic outlook on its reflections on the real economy had made it necessary to recognise major impairment losses on financial assets and goodwill, the results of 2009 are conditioned by the expected and inevitable consequence of the global economic crisis, which has hit both businesses and households, weakening their financial position and limiting their resources.

These effects have pushed up adjustments to loans which totalled 3,706 million euro. The deterioration of debtors' financial capacity led to a marked increase in non-performing loans that rose by a gross amount of 12 billion euro compared to 31 December 2008, equal to 9 billion euro net.

Furthermore, in 2009, provisioning for risks and charges amounted to 297 million euro, whereas impairment losses on other assets (mainly securities available for sale) were 235 million euro. No goodwill impairment was made in 2009, against a goodwill impairment of 1,065 million euro in 2008.

In the year, substantial positive economic effects (439 million euro gross of the tax effect and minority interests) were generated by the disposal of a share of the investment in Findomestic.

Income before tax from continuing operations as at 31 December 2009 amounted to 4,328 million euro, with a significant increase (30%) compared to 2008.

Taxes on income from continuing operations (960 million euro) benefited from the positive effect (arising from the difference between the full-rate deferred taxation - recorded in the income statement - and the reduced-rate substitute tax charge) generated by the reversal of intangible assets and of the employee termination indemnities. Overall, these positive effects amounted to 537 million euro.

After the recording of merger and restructuring-related charges of 214 million euro net of the respective taxes (657 million euro in 2008), the amortisation of the purchase price of equity investments of 385 million euro net of tax (1,088 million euro in 2008, including the impairment losses on intangible assets), income after tax from discontinued operations of

169 million euro (mainly relating to the depositary bank services for which a sale agreement was entered into in December) and minority interest for the period of 133 million euro, net income totalled 2,805 million euro, up by 9.9% on the 2,553 million euro recorded in 2008.
The fourth quarter saw a further decrease in net interest and in profits on trading, partly offset by the marked increase in fee and commission income. Operating costs recorded the usual end-of-year spike, causing a significant decrease in operating income compared to the second and third quarters, returning to first quarter levels.

The performance of the various business units shows that the decreased profitability of Banca dei Territori was more than offset by the positive performance of the other business units.
More in detail, Banca dei Territori closed 2009 with a net income of 1,212 million euro, down by 10.8% on 2008, mainly as a consequence of the lower interest revenue, which was affected by the decrease in mark-down and the elimination of overdraft charges, and of the decrease in fee and commission income, mostly due to the lower contribution of assets under management.
On the other hand, Corporate and Investment Banking recorded strong growth in net income, which climbed to 1,273 million euro (+1,065 million euro), driven by the positive trend in net interest and fee and commission income, and by the marked increase in profits on trading.
The contribution of the Public Finance Business Unit also rose markedly, with net income of 116 million euro, almost doubling the performance of 2008, thanks to the positive trend in operating income, despite the unfavourable market environment.
The International Subsidiary Banks Division closed 2009 with a net income of 364 million euro, also almost doubling the value recorded in 2008, which had been negatively affected by the goodwill impairment of Pravex Bank. All the markets on which the Division operates contributed to this result, with the sole exception of the Russian Federation and Ukraine.
The results of Eurizon Capital and Banca Fideuram (respectively 95 and 93 million euro) improved on the values recorded in the previous year, which had been affected by substantial impairment losses on goodwill.

With regard to the consolidated balance sheet, as at 31 December 2009 Group loans to customers stood at 374 billion euro, down 5.2% from 31 December 2008 due to strained market conditions affected by the reverberations of the financial crisis on the real economy. Non-performing loans were also affected by the economic recession which has worsened the loan portfolio quality. In detail, doubtful loans came to 5,365 million euro, up 1,397 million (+35.2%) on the previous year, reaching a 1.4% incidence on total loans, and a 67% coverage ratio which is higher than the average ratio found in the Italian banking industry.
Customer financial assets amounted to 813 billion euro, up 1% from the previous year, thanks to the positive performance of indirect customer deposits (+2.4%, to 417 billion euro) driven by assets under management, whereas direct customer deposits remained essentially stable (-0.2% amounting to 422 billion euro). As to asset management, the evolution of the aggregate (+5.6% to 226 billion euro) benefited from an improvement in financial market performance, especially noticeable in the second half of the year, which offset the negative net inflows.

Highlights in the year

Activity in 2009 was marked by attention to the factors that the market considers significant in the current banking environment: solidity, liquidity and risk profile.
As to ***solidity***, Intesa Sanpaolo ranks among the strongest international banking groups. Even in the current difficult phase, the Group has an adequate capital base, and one of the lowest leverages when compared with the main international competitors: the ratio of total tangible net shareholders' equity to total tangible assets stands at 4.7%.
At the end of 2009, after introduction of internal risk measurement models for calculating capital requirements for credit risk for the corporate segment, capital ratios – which take into account the proposed dividend distribution – were as follows: Core Tier 1 ratio was 7.1%, Tier 1 ratio was 8.4% and Total Capital ratio was 11.8%. Pursuant to the requirements of the second pillar of the Basel II Accord ("Pillar 2"), since the end of 2008 capital adequacy has also been measured from the management perspective. The results of the ICAAP process confirm the Group's sound capital base: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.
After the decision not to pay dividends on net income for 2008, during 2009 capital management actions on non-strategic assets were finalised, so as to strengthen capital ratios further. At the beginning of August, Intesa Sanpaolo and BNP Paribas reached an agreement on Findomestic, the consumer credit company previously 50% owned by either Group. Under the terms of the transaction BNP Paribas acquired the control of Findomestic through its wholly-owned subsidiary BNP Paribas Personal Finance. The sale by Intesa Sanpaolo of its 50% stake in Findomestic – held through subsidiaries CR Firenze and CR Pistoia – was to be implemented in two stages: a first 25% stake was sold to the BNP Paribas Group at the end of 2009, while the remaining 25% stake will be sold between 2011 and 2013, in one of the following ways to be chosen by the BNP Paribas Group: purchase by the same BNP Paribas Group, IPO or sale to third parties.
Other transactions aimed at strengthening the capital base are in progress. In December 2009 an agreement was signed for sale of the securities services business line to State Street Corp., a US financial services company, one of the world's leading providers of financial services to institutional investors.
The business line under disposal consists of two separate legal entities: Intesa Sanpaolo Servizi Transazionali – which has absorbed, through business line contribution, all the Italian businesses concerned by the transaction – and Sanpaolo Bank Luxembourg, and includes four business lines:

– administration activities relating to the settlement of foreign securities and their custody (Global Custody);

- calculation of the value of quotas of investment funds and individual portfolio management with the related administrative services (Fund Administration);
- regulatory monitoring of fund activities and correctness of the quotas of funds (Depositary Bank);
- administrative services regarding the placement of foreign funds in Italy (Correspondent Bank).

Finalisation of the transaction, which is conditional on obtaining all required authorisations, will bring to the Intesa Sanpaolo Group a capital gain, gross of ancillary charges, of about 740 million euro and a goodwill recovery of more than 500 million euro, with a positive effect of approximately 0.37 percent on the Core Tier 1 ratio.

The business model adopted by Intesa Sanpaolo also ensures strong control of ***liquidity*** risk, largely thanks to the high contribution of retail funding to total funding sources. The stability of this source of funding, especially in the form of demand deposits and bonds, continues to represent one of the Group's main strengths. Intesa Sanpaolo has adequate liquidity reserves, consisting of a high amount of eligible assets – a large proportion also being highly liquid – and overnight loans through continuously renewed repurchase agreements, financed through short-term liabilities in the money market. The amount of these funds is established to cover the Bank's operational requirements for a long period, also in the event of a liquidity crunch in the wholesale market (money market and bond market).

Against this background, in the third quarter of 2009, Intesa Sanpaolo finalised a securitisation of a portfolio of performing residential mortgages for more than 5,800 million euro through the vehicle Adriano Finance, aimed at prudently increasing the already broad availability of eligible assets with Central Banks. The transaction consisted of one single senior tranche (class A) of 5,297 million euro, with an expected average lifetime of about 5 years, listed on the Luxembourg Stock Exchange and rated AAA by Fitch, and one junior tranche (class B) of 563 million euro. The securities were issued at a price equal to their nominal amount and will pay a floating rate coupon based on the 6-month Euribor rate. Both classes of notes were fully underwritten by Intesa Sanpaolo.

Again in the third quarter, a programme for the issue of 10 billion euro "Obbligazioni Bancarie Garantite" (Covered Bonds) was finalised. The guarantor of the OBG is the ISP CB Pubblico vehicle, to which a loans portfolio of 3.5 billion euro was transferred, consisting of performing loans to the public sector originated by Banca Infrastrutture Innovazione e Sviluppo (BIIS). This is the first programme of covered bonds backed by public sector loans launched in Italy. Moreover, an initial issue of 3 billion euro has been made under the programme, at a price equal to the nominal amount, with maturity 6 October 2011, listed on the Luxembourg Stock Exchange and rated Aaa by Moody's. This issue will pay a floating rate coupon on the 6-month Euribor rate and has been fully underwritten by BIIS.

With regard to ***risk profile***, Intesa Sanpaolo confirms its main role is that of a "Bank for the Country" focused on the commercial bank business model, where domestic retail banking remains one of the Group's key strengths. The concentration of a large part of volumes and margins in Italy reflects extensive geographical coverage and a high, well-distributed market share. Overall, the International Subsidiary Banks Division accounts for approximately 13% of operating income and 8% of loans. With regard to operating income composition, the main contribution continues to come from net interest income and net fee and commission income, confirming the Group's orientation to commercial activity.

Credit quality is constantly monitored and optimisation of the risk/return profile is pursued by constantly aligning loan disbursements to credit policies, which take into account the customer's specific risk profile, the customer's characteristics (size, industry, etc.), type of contract and any mitigating factors.

The incidence of non-performing loans, while increasing as a consequence of the spillover of the financial crisis into the real economy, remains at reasonable levels. Doubtful loans have an adequate coverage ratio (more than 67%) and, net of adjustments, account for 1.4% of net total loans.

The financial instruments in the trading book are low-risk, as shown by the VaR as at 31 December 2009 of 32 million euro (against an average value of 41 million euro in 2009), markedly down on the previous year.

In a macroeconomic environment in which businesses and households feel the effects of the financial crisis, Intesa Sanpaolo has remained true to its commitment to favour the growth of the country and support the economic and social parties that are the foundations for recovery and growth.

In respect of retail customers, the Group continued to pursue simplification and innovation in the offer range, enhancing its consultancy services based on the concept of sustainable debt, and the various protection and flexibility mechanisms enabling customers to remodel their repayment plans in accordance with their changing financial and lifecycle needs. The Banca dei Territori Division, which is dedicated to serving retail customers, has been further redefined and strengthened. In the last months of 2009, the Division has undergone a series of reorganisations aimed at improving effectiveness in customer relations and at strengthening coverage of activities and relations with the reference territory.

In January 2010, Intesa Sanpaolo joined the agreement signed on 18 December 2009 between the Italian Banking Association (ABI) and the main consumer associations. The initiative, whose effects will obviously start to be seen in 2010, is aimed at providing support to individuals experiencing problems in keeping up with their mortgage payments. Customers may request a 12-month suspension to their mortgage payments concerning the purchase, construction or refurbishment of their homes, when some specific events affect their repayment capacity.

With regard to the production sector, in early August Intesa Sanpaolo was party to the agreement signed by ABI, the government and trade associations for suspending repayments of SME debts to the banking system. Under the agreement, Banca dei Territori and all 23 banks of the Group shall grant debt extensions to the SMEs that are under temporary financial strain due to the recession. Intesa Sanpaolo had already initiated actions on this front, in particular entering into an agreement in early July with Confindustria (Confederation of Italian Industries) to provide liquidity to and recapitalise Italian SMEs. Between August and the end of 2009 about 30,000 suspension applications were accepted. Against an outstanding total debt of about 9.6 billion euro, the extended repayment debt amounts to about 1.6 billion euro. More than 85% of such extended repayment debt consists of mortgage loans. The balance is roughly equally split between real estate leases, movable property leases and advances on receivables.

At the end of 2009, the Group's total lending to the Italian system came to almost 500 billion euro in terms of facilities granted, equal to about one third of the country's GDP; about 65% consisted of loans to businesses, especially SMEs (accounting for 50% of total loans to the Italian system).
The Intesa Sanpaolo Group continued to support Italian companies also over the last year, despite the sharp fall in demand and the significant rise in risk; cash lending to SMEs remained around 152 billion euro and substantial amounts of medium-/long-term loans for investments were granted, equal to about 18 billion euro in the year.
Furthermore, the availability of lending for Italian SMEs over the next 36 months has been confirmed, to the sum of 60 billion euro for already approved and currently unused facilities and about 35 billion euro for new facilities which can be granted if requested. Over the same period, 50-60 billion euro of new disbursements under medium-/long-term loans are foreseen.
The access of businesses to loans, which is of course subject to assessment of their creditworthiness, will also be facilitated by the ongoing renewal of loan offer, including products for specific sectors, and by the local reach of the network, based on the Banca dei Territori model which has proved to be very effective. Loan terms will be marked by ever-increasing transparency and simplification.
The Group also provides a bridge with all other players acting as lending facilitators (Confidi, Fondo Centrale di Garanzia (Central Guarantee Fund), SACE, Cassa Depositi e Prestiti, EIB) and makes direct investments in the capital of enterprises. In particular, as part of its activities in this area, the Intesa Sanpaolo Group has used up the entire share allocated to it of the first instalment of the financing line made available by CDP to the banking system for the granting of loans to SMEs under the agreement concluded with ABI in May 2009.

The activities aimed at rationalising the Group's structure also continued. The second quarter saw approval of a project for the reorganisation of the Group's bancassurance activities based on specialisation by distribution network. This project will lead to the creation of a single company to serve the Group's banking networks and a life insurance company to serve Banca Fideuram's financial advisors. Intesa Sanpaolo currently holds stakes in the following companies operating in the bancassurance business:

- Intesa Vita (50%), a joint venture with the Generali Group serving the former Banca Intesa branches;
- EurizonVita (99.96%), a subsidiary serving the former Sanpaolo IMI branches;
- Centrovita Assicurazioni (51%), a subsidiary in joint venture with Cardif Assurance (BNP Paribas Group) serving the Carifirenze branches;
- Sud Polo Vita (99.98%), a subsidiary serving the branches of Banco di Napoli and Casse del Centro.

Following the unwinding of the joint ventures with Generali and Cardif and exercise of the connected put option by the insurance partners, Intesa Sanpaolo will acquire full control over these four companies. After Generali exercised the put option, Intesa Sanpaolo concluded with Alleanza Assicurazioni (Generali Group) an agreement for the purchase of the 50% equity stake held by the latter in Intesa Vita; under the terms of the agreement, the share swap and ensuing modification of the corporate governance of Intesa Vita will only be implemented once the necessary authorisations have been obtained. Consequently, since the transfer of control has not yet occurred, the investment is still recognised among the companies subject to significant influence. Lastly, as the Competition Authority's decision authorising the Banca Intesa and Sanpaolo IMI merger required that Sud Polo Vita be disposed of to third parties, a request has been made to the Authority that this provision be amended thus releasing Intesa Sanpaolo from its obligation to sell the company.
This project is an important opportunity for value creation that will make it possible to: significantly increase efficiency by combining systems and processes to achieve cost synergies; improve commercial efficiency, by alignment towards internal best practices and review and unification of product range and investment policies; and relaunch the insurance business of Banca Fideuram by leveraging on a dedicated structure able to address the varied needs of customers.
At the end of the year, Intesa Sanpaolo and Banca Monte dei Paschi di Siena signed an agreement covering the sale of 50 branches of Banca Monte dei Paschi di Siena to Banca CR Firenze (Intesa Sanpaolo Group) for a price of 200 million euro. Finalisation of the transaction is conditional on obtaining all the necessary authorisations and to performance of the related trade union procedure. At 30 September 2009 the group of branches covered by the transaction had direct customer deposits of about 1.3 billion euro, indirect deposits of about 0.8 billion euro and loans to customers for about 1.5 billion euro.
The branches to be purchased have been selected specifically to match the Intesa Sanpaolo Group's plan to complete and optimise its coverage of Tuscany, were the market share relating to the branches in the provinces concerned would rise, after finalisation of the transaction - from 13% to 16% coming close to the Group's average national market share of 17%. Finalisation of the transaction is expected to have an impact of 8 basis points on the Group's Core Tier 1 ratio.
Other restructuring transactions have been implemented within the Group. The most notable transaction concerned the creation of Intesa Sanpaolo Group Services, a consortium company tasked with Group-wide handling of all operations regarding Organisation, Security, Real Estate, Procurement, Operations, ITC systems and Contact Unit services. The Parent Company's contribution of the related business and real estate was completed in the second quarter of 2009.
In the third quarter the centralisation of investment banking activities in Banca IMI was completed, via the transfer of the structured finance activities formerly managed by Intesa Sanpaolo. By this reorganisation, a single structure has been created within the Group which is responsible for all capital market and investment banking activities, offering integrated solutions for all products and services in the field of extraordinary corporate finance. This operation was carried out by the contribution of the related business by the Parent Company.
The integration of ITC systems was also completed, with the migration in July of about 560 branches of Carifirenze and about 290 branches of Casse del Centro.
In order to rationalise the Group's geographical distribution, in the course of 2009 many branch transfers were carried out between the different banks belonging to the Banca dei Territori Division (via sale, spin-off or contribution). Other

intragroup transfers concerned equity interests and business lines, also in connection to the integration of the Carifirenze Group's activities. In the light of their merely reorganisation purpose, all intragroup transactions were recorded in continuity of the values without recognition of any economic effects.

Information pursuant to the Bank of Italy–Consob–Isvap Document 4 of 3 March 2010

By document 4 of 3 March 2010, which followed the document issued on February 2009, the Supervisory Authority called the attention of the directors of quoted companies to the need to provide in the financial statements clear disclosure on some areas where a high degree of transparency is of the essence: valuation of the goodwill (impairment test), of other intangible assets with indefinite useful life and of equity investments; the valuation of equities available for sale; the contractual clauses of financial debts.
The communication – which does not have independent regulatory force, but calls for strict compliance with the rules in force and the reference accounting principles – then gives details on the information to be provided on debt restructuring and recalls the disclosure requirements concerning the fair value hierarchy.
The disclosures relevant for the Intesa Sanpaolo Group are made further on in this Report on operations, and mostly in the Notes to the consolidated financial statements, when illustrating specific themes.

As to the assumption of "going concern", which was the subject of a specific disclosure request with regard to the 2008 Annual Report (Document no. 2 of February 2009), the Regulators once again drew the attention of all the parties involved in preparation of financial reports to the need to pay special attention to valuations relating to such assumption.
On this point, the Directors of Intesa Sanpaolo confirm their reasonable certainty that the Company and the Group will continue to operate profitably in the foreseeable future and based on this assumption the Group consolidated financial statements and the separate Parent Company's financial statements for 2009 have been prepared in line with the assumption of going concern. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the specific issue of the assumption of going concern.

The Intesa Sanpaolo Group

Intesa Sanpaolo

- Head Office Departments

Public Finance
- Banca Infrastrutture Innovazione e Sviluppo

Corporate and Investment Banking Division
- Banca IMI
- IMI Investimenti
- Intesa Sanpaolo Bank Ireland
- Leasint
- Mediofactoring
- Sanpaolo Bank Luxembourg
- Société Européenne de Banque

Banca dei Territori Division
- Intesa Sanpaolo
- Banca CR Firenze
- Banca dell'Adriatico
- Banca di Credito Sardo
- Banca di Trento e Bolzano
- Banco di Napoli
- Cassa dei Risparmi di Forlì e della Romagna
- Cassa di Risparmio del Friuli Venezia Giulia
- Cassa di Risparmio del Veneto
- Cassa di Risparmio di Venezia
- Cassa di Risparmio in Bologna
- Casse del Centro
- Banca Prossima
- Centrovita Assicurazioni
- EurizonTutela
- EurizonVita
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- Mediocredito Italiano
- Setefi
- Sirefid
- Sud Polo Vita

International Subsidiary Banks Division
- Banca Intesa
- Bank of Alexandria
- Banka Koper
- CIB Bank
- Intesa Sanpaolo Bank Albania
- Intesa Sanpaolo Bank Romania
- Intesa Sanpaolo Banka Bosna i Hercegovina
- Pravex-Bank
- Privredna Banka Zagreb
- VUB Banka

Other Group Subsidiaries
- Banca Fideuram
- Eurizon Capital

The macroeconomic context and the banking system

The macroeconomic context

In 2009, the world's economy experienced the worst recession since the early 1930s. The magnitude of the fall in production activities in all the major industrialised economies, tensions on the capital markets and the threat of a collapse of the international financial system are unprecedented in post Second World War economic history. The fall of investments, contraction of international trade flows and weak consumption led to a sharp increase of the number of the unemployed in all the major economies.

After a gradual stabilisation of the international financial system, in late spring the first signs of recovery came from Asia and, subsequently, from the United States. A key role was played by the strong fiscal stimulus measures adopted to counter the real effects of the crisis. From the third quarter, the recovery started to spread to most of the world's economy, as businesses started to regain some confidence, especially with regard to the future outlook.

However, the upward trend of economic activity indexes from the trough of the recession has been modest: at the end of 2009, the excess production capacity generated by the recession was still considerable and unemployment rates were still rising in both Europe and the United States.

According to the latest estimates, the mean annual GDP contraction was -2.4% in the United States and -4.0% in the eurozone. Nevertheless, thanks to the growth of Asia's emerging countries, world GDP is estimated to have declined only by about 1%. The contraction in fixed capital investments, in industrial production and especially in foreign trade was 10% or higher in North America and in Europe. In particular, industrial production in the Eurozone shrunk by 15.0% after a first 1.7% contraction in 2008, and exports dropped by 13.2% at constant prices. The impact of the crisis on the labour market led to a rise in the unemployment rates from 5.8% to 9.2% in the United States and from 7.6 to 9.4% in the Eurozone.

Fiscal and monetary policies have remained markedly expansive. The deficit/GDP ratio rose to above 9% in the United States and to above 6% in the Eurozone. Rapid growth in public debt was recorded in practically all the industrialised economies. In the first half of 2009, the central banks made more aggressive their unconventional monetary expansion measures, whose effects extended into the second half of the year.

In the United States, United Kingdom and Japan the monetary authorities launched public and private debt takeover programmes in an attempt to force expansion of monetary supply and directly influence lending conditions in some sectors.

In the Eurozone, the ECB cut official rates from 2.5% to 1.0%, also extending the extraordinary management of free market transactions, granting any demand for funds from the system, subject to the presentation of guarantees. This all-time 1% minimum was accompanied by the decision to take over part of the covered bonds for the sum of 60 billion euro, with the aim of making a further cash injection into the system. In the second half, the ECB continued implementing its extraordinary stimulus measures without suggesting that it will change its monetary policy orientation. Therefore, the rate on main refinancing operations has remained at 1.0%. Permanent covered bond purchases continued, and the extraordinary management of repurchase agreements created persistent surplus liquidity in the system. In December, the Central Bank announced that starting from the first quarter of 2010 it would gradually downsize its quantitative stimulus measures, firstly by thinning out the number of extraordinary liquidity auctions and by gradually restricting the eligibility criteria applying to securitisations for Eurosystem credit operations.

The Italian economy entered the recovery together with the rest of the Eurozone in the third quarter, when quarterly GDP returned to positive with 0.6%. However, the year-on-year change remained negative until the fourth quarter and the average annual contraction, initially estimated at -4.8%, was revised at year end to -5.1%. All domestic demand components declined, except for collective consumption. The fall in exports at constant prices reached 19.1% and two-digit contraction rates were also recorded in fixed investments and imports. The fall in industrial production was only partly recovered in the last months of 2009. The impact of the crisis on employment was mitigated by the wage compensation fund (Cassa Integrazione Guadagni), which made it possible to contain the rise in the unemployment rate to +1.5%.

The abundant liquidity available in the system accelerated the fall of the Euribor rates, which reached new all-time lows. The monthly rate fell to 0.42%, 215 basis points below the level reported at the end of 2008, whereas the quarterly Euribor has been lower than the refinancing rate since July. As to maturities beyond one year, the decline in the period from January to May was followed by an uneven trend, with sharp rises and falls. The 2-year Interest rate swap closed 2009 at 1.85%, 81 basis points lower than start-of-year levels; the 10-year IRS closed at 3.59%, only 12 basis points under the previous year's level and slightly above the mid value of the 3.24-3.85% fluctuation range.

The deteriorating fiscal framework increased sovereign spread volatility in the eurozone, with temporary repercussions on the BTP-Bund spread in January and in the period mid-February to mid-March. The strongest tensions were felt at the beginning of the year for the public debt of Ireland and Austria; at year end, the announcement of a sharp revision of the deficit and public debt estimates of Greece led to a series of downgradings of that country's sovereign debt by rating agencies and to a marked widening of spreads compared to all other issuers in the Eurozone. Despite some repercussions of the Greek crisis, the Btp-Bund spread closed the year with a marked reduction from 135 basis points at the start of January to 74 basis points at year end. No European country had difficulty covering treasury bond auctions, despite concerns about fiscal stability.

The currency markets recorded significant movements. The euro/US dollar exchange rate, which had hit a low mark of 1.26 in the first quarter, subsequently entered an upward trend rising to 1.51; in December, the exchange rate stabilised at 1.42 to 1.45. The euro had a very volatile performance also against the pound, the yen and currencies that benefit from the carry trade, such as the Australian dollar.

As to stock market performance, after a very negative start of the year, due to the sharpening of the financial crisis and the severe slowdown of the global economy, where a large number of areas simultaneously went into recession, the international stock markets entered a phase of strong and steady recovery from the bottom levels hit in the first half of March 2009.
This marked turnaround was triggered and driven, in particular, by the massive monetary and fiscal stimulus measures implemented by governments and central banks, as well as by the first signs of stabilisation of the world's economy; the consequent gradual decrease in risk aversion then favoured the return of investors to stock markets.
During the second half of the year, the positive trend was further boosted by the quarterly reports of companies, which in many cases showed stabilisation of margins, achieved through strong cost containment policies and geographic diversification towards areas showing better economic performance. The ongoing availability of liquidity also supported stock investment.
During 2009, the S&P 500 index rose by 23.5%. Similar performances were recorded by the main European stock market indexes: the DAX rose by 23.8%, and the CAC 40 by 21.2%; the FTSE 100 closed the year with a 22.1% increase. Lastly, the DJ Euro Stoxx regained 24.4% from January, after hitting a trough of -24% on 9 March. Asian stock markets recorded substantial rises in 2009: the Chinese market's SSE Composite index closed the year up by 79.8%, and the Nikkei rose 19%.
Against this background, the performance of the Italian stock market was in line with the main continental indexes: the FTSE Italia All Shares gained 19.2%; a similar rise was recorded by the benchmark FTSE MIB index, which includes the top 40 listed shares (+19.5%, after hitting a trough of -35% on 9 March). Mid-cap companies performed better than the blue chips: during 2009 the Mid Cap index rose by 23.6% and the STAR segment index by 31.5%.

As to corporate bonds, 2009 saw a marked and general narrowing of spreads across all market segments. The marked recovery, which reversed the negative trend which had continued into the first two months of the year, is mainly attributable to the easing of the fears of a crisis of the international financial system, which had led to a sharp increase in risk aversion and triggered prudential portfolio reallocations, which had penalised spread products. The recovery of credit markets was also driven by the strong rebound of the main international stock markets starting from early March, which was accompanied by a marked reduction in implied volatility. In the second half of 2009, macroeconomic news confirmed the stabilisation of the cycle, fuelling hopes of a stronger recovery in 2010. The gradual return of financial markets to normal and the positive signals from the macroeconomic context led to positive performance of the cash segment. In the Investment Grade segment, the best performances were recorded by non-financial securities and BBB loans. This segment was characterised by a strong flattening of the credit rating curves, as shown for instance by the fall by about 200 basis points of the BBB-AAA differential. After the recent turbulence, strong attention continues to be paid to data on the current and prospective performance of the economic cycle and on the exit strategies from the exceptional fiscal and monetary stimulus measures implemented to date in response to the recession.

2009 saw a marked slowdown in the economic cycle of the emerging markets; nevertheless, the growth rate of the economy remained overall positive. According to as yet preliminary data, the rise in real GDP was slightly less than 2%, compared to +6% in 2008 and +8% in 2007.
The rate of the slow-down was unevenly distributed in the different areas. The emerging countries of Asia recorded a moderate reduction, with GDP growth estimated to be still above 6%. The monetary and fiscal policies adopted by the governments of the major countries to counter the impact of the international financial crisis have partly offset the lower contribution from foreign trade. China and India led the Asian economy, with product dynamics estimated at about 8% and 6% respectively. The newly industrialised countries - Korea, Hong Kong, Singapore and Taiwan – proved to be more vulnerable, due to their strong foreign trade and financial relations and experienced a more pronounced decline in economic activity during the year.
Trade relations with the United States and Europe, together with strong exposure to the commodity cycle, brought Latin America into recession territory, with an estimated fall of 2% in economy. The recession was particularly severe for Mexico, whose manufacturing sector is strongly dependent on the US cycle. However, better fundamentals and effective management of economic policies enabled the Latin-American countries, in particular Brazil, Chile, Colombia and Peru, to weather the current crisis better than other downturns in the past. On the other hand, less effective governmental response to the crisis and dependence on the commodity cycle made Argentina and Venezuela more vulnerable to the crisis; in these countries GDP fell by about 3%.
GDP growth also slowed down sharply in Middle East countries, while remaining positive overall, with +2% in 2009 from +5.4% in 2008. The economies of the Persian Gulf countries were affected both by the fall in oil revenues and by the difficulties experienced by the financial and real estate sectors, leading to a marked contraction of GDP growth or even to a fall. North African countries such as Egypt, Jordan, Morocco and Tunisia, which have more diversified economies, while recording a slow-down of their economic cycle, steered clear of recession. The stable levels of domestic demand, supported by stimulus policies, mitigated the impact of external shocks. In particular, Egypt, whose fiscal year ended last June, recorded GDP growth close to 5%.
The substantial current account deficits, the private sector's strong dependence on foreign financing and high public deficit, which left little leeway for demand stimulus measures, the strong trade links with Western European countries themselves in recession and, lastly, for CIS countries, high exposure to the commodity cycle, drove the GDP of Eastern

European countries into recession (Baltic, CEE, CIS and SEE). Some countries, namely the Baltic countries and Ukraine, recorded a two-digit GDP fall. Russia and some CEE (Hungary) and SEE (Bulgaria and Romania) countries saw a fall in real GDP between 6 and 9%.
In the emerging countries too economic policy authorities adopted in general strong economic stimulus measures. Interest rates were slashed to all-time lows. Large amounts of liquidity were injected in the financial systems, and public expenditure, with the exception of Eastern European countries, increased significantly in support of demand. These measures, together with the financial support lent by international institutions to countries facing potential liquidity crises, facilitated first the stabilisation of the international financial environment and subsequently the recovery of the real economy.
Against this background, the capital markets, after a still difficult first quarter, recorded substantial and widespread rises. During 2009, the MSCI (Morgan Stanley Capital International) composite index of emerging country stock markets gained almost 60%, compared to a rise of about 20% in the stock markets of the eurozone, Japan and the United States. Globally, the best performances were recorded by Brazil, Russia, India and China (BRICs), driven by growth prospects exceeding forecasts, together with Turkey (+96%) and Hungary (+73%). At the lowest end of the scale, are some Eastern European countries (the stock indexes of Slovenia and Croatia rose by 10% and 16% respectively, while the index in Slovakia fell by 25%) affected by the recession and by fears about competitiveness, and some Persian Gulf countries which have been weighed down by the downturn of the financial and real estate sectors.

During 2009, CDS spreads on sovereign debt narrowed considerably; after the peaks reached in most cases in the first quarter and at year end, they had mostly returned to September 2008 levels, prior to the outbreak of the financial crisis.
The OITP index (Other Important Trading Partners) of the foreign exchange values of the US dollar against the currencies of emerging countries - that are important trading partners of the US – fell by 3.6% in 2009. This trend reflects the substantial gain on the USD of some currencies of Latin America (those of Brazil and Chile gained more than 20%, also thanks to significant capital inflows), Asia (Indonesia +14.5%, Korea + 7.5%) and Eastern Europe (Bulgaria, Croatia, Poland and Czech Republic, which rose between 3% and 4%), the overall stability of the currencies of the Persian Gulf countries and China and the decline of some CIS currencies (Russia -3%, Ukraine more than -4%). The loss recorded against the dollar by some Eastern European currencies (besides Russia and Ukraine, also Romania and Hungary) was initially driven by concerns about the private sector's high level of foreign debt. After hitting new lows at the end of February, these currencies then regained most of their losses (but closed the year still depreciated against both the US dollar and the euro), driven by stabilisation plans, the financial support granted by international institutions (extended, among others, to Bosnia, Latvia, Serbia, Romania, Hungary and Ukraine) and, for Russia, by the recovery of oil prices.
During the year, rating agencies reported an increase in confidence towards the emerging economies. The number of upgradings, greater in Latin America (Bolivia, Chile, Ecuador and Peru) and in Asia (Indonesia and the Philippines), exceeded that of downgradings, which concerned the Baltic countries, some CIS countries (Kazakhstan and Ukraine) and Mexico.

The Italian banking system

During 2009, the steep decline in bank rates continued, in the wake of the easing of the monetary policy and of the cycle of refinancing rate cuts, which had started in October 2008. The downward trend was greatest in the first half of the year, slowing down at the end of 2009. Overall, the decline was substantial and bank rates reached new all-time lows.
As to customer categories, the reduction in the average interest rate on loans was more marked for businesses, less so for households, also due to the greater downward stickiness of the rate on existing mortgage loans.
Interest rates payable also reached new lows. The trend was driven by the fall of the rate on current bonds and by the contraction of the average rate on customer deposits, but overall, the decrease of the average interest rate on funding was more contained than the reduction in the average rate on lending.
These trends have determined a significant narrowing of the spread between lending and funding rates, to a year-average of 2.41 points, 72 cents less than the average for 2008. However, in the last quarter the downward trend of the spread came to a halt, with an average value for the quarter of 2.17%. With regard to the contribution margins from short-term intermediation activities, during the year, high mark-up values[1] were recorded, reflecting the higher risk premium in a phase of economic recession, as well as a strong reduction in mark-down[2]. This trend reflected the exceptional reduction in market rates, where the one-month Euribor reached extremely low values. Comparison of year end 2008 and 2009 figures shows that the mark-up gained 5 cents and the mark-down lost 126 basis points, falling to just 11 cents in the two months of September and October. In year-average terms, the mark-up was 3.86%, up by 129 basis points from the average in 2008, and the mark down was 0.36%, down by 217 basis points. Consequently, the short-term spread lost 88 basis points in year-average terms, coming to 4.22%.

The Italian banks' performance in terms of loans to customers progressively slowed down along the year, as the effects of the severe economic recession, which limited the demand for loans and led banks to adopt a more cautious lending policy, due to the gradual deterioration of loan quality.
The trend in loans to the private sector was determined by the steady slowdown in the business lending component, which was partly offset by the recovery in household lending, which was mostly driven by residential mortgages, while consumer

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

credit and other forms of household lending remained relatively weak, albeit commencing an upward trend in the last two months of the year.
With regards to businesses, the gradual slowdown of lending during 2009 generated slightly negative changes at year-end. Nevertheless, despite the slowdown, throughout 2009 performance of the loans to businesses remained markedly higher than the trends in the main economic factors that determine demand in this sector: in fact, industrial production, investments and exports all experienced sharp contractions in the year.
This performance was achieved thanks to the stability of medium-/long-term loans, largely due to the increase in debt restructuring transactions, counterbalanced by a sharp decrease in short-term loans, largely as a consequence of the decline in production and turnover.
All economic activity sectors experienced a strong slowdown in lending during 2009, especially in the manufacturing and commercial sectors, which recorded negative changes for most of the year, whereas other services, the building sector and agriculture maintained a growth trend, albeit sluggish. However, in year-average terms the contraction in loans to industry was contained, as was the decline in loans to the commercial sector.
The aggregate data for year-end 2009, however, seem to indicate that the negative lending cycle may soon come to an end. The lending performance of Italian banks remained weak, but the sharpest decline phase could be over. At year end, household lending largely held up, while business lending remained negative (apart from lending to SMEs, which showed a recovery in November); short-term lending decreased further, while medium-/long-term lending recorded constant growth. Lastly, the businesses' perception of the conditions for access to loans improved.
During 2009, the lending environment improved, as shown by various economic cycle surveys. Among those carried out with companies, the ISAE survey carried out in December 2009 in the manufacturing sector recorded a reduction in the number of companies reporting less favourable conditions for access to the credit market compared to the end of 2008. Moreover, the quarterly survey conducted in the same month by the Bank of Italy – Il Sole 24 Ore on inflation and growth expectations in industry and services recorded a stabilisation of opinions on credit access conditions, after the previous quarters had shown a decrease in the number of businesses reporting worse conditions and an increase in those declaring unchanged conditions. Banks, on their side, reported an end to the fall in loan demand, and even an increase in demand from SMEs, mainly for the purpose of debt restructuring, whereas the demand for investment lending is still decreasing but at a slower pace.

However, credit quality remains an issue. The difficulties engendered by the recession have led to a gradual increase in the number of non-performing loans during 2009, a trend which is expected to continue into 2010 and 2011, given that historically there is a certain time-lag before the economic cycle is reflected in doubtful loans. In particular, a further worsening in credit quality is witnessed by the quarterly default rate indicator, which measures the ratio of new doubtful loans to outstanding loans. According to these data, in December the default ratio referred to all Italian customers (with the exclusion of MFI) rose to 1.9% from 1.5% in June (average of the four annualised quarters ending with the reference quarter). In particular, the default rate of businesses rose from 2.1% in June to 2.5%. The increase for households was less marked (from 1.1% in June to 1.3% in December 2009).
As to funding of the banking system, direct funding continued to grow at a fair pace, albeit slowing down, confirming its key role for Italian banks.
Aggregate funding[3] recorded two-digit growth rates until September 2009. The subsequent slowdown largely reflected the slowdown in bonds, whose performance, despite the slowdown, was markedly higher than the Eurozone average. The importance of this type of funding on the total funding of Italian banks increased further, coming to 41% on average in 2009 compared to 39% in 2008.
Deposits also maintained a good growth profile. Within deposits, current accounts accelerated progressively, reaching a peak growth rate in August, then slowed down but remained on two-digit values and coming to an average annual rate in excess of 11%.
During 2009, the Italian asset management market was boosted by the positive performance of the financial markets and by the shift in the intermediaries' offer policies towards simpler and more transparent products. This helped to support inflows in mutual funds also in the last months of the year. The annual balance between subscriptions and surrenders was negative by 683 million, against a negative balance of 143 billion in 2008: net positive contributions came from equity, bond and flexible products, whereas a negative contribution came from balanced, cash and hedge funds. Thanks to the favourable performance of financial markets, total assets under management in the system came to 438 billion euro at year end, against 398 billion in December 2008.

Forecast for 2010

2010 is expected to be a year of economic recovery, supported by the expansionary fiscal and monetary policy stances but accompanied by rising unemployment, persistent production overcapacity and prevailing disinflationary pressures. Gross domestic product will show relatively vigorous growth only in emerging non-European countries, commodities exporters and the United States. In the eurozone, recovery, less supported by fiscal stimuli and strong domestic demand, will be very sluggish and highly diversified.

[3] 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.

In Italy GDP is expected to grow less than 1%. The resumption of growth will be stimulated first by the performance of foreign demand and the inventory cycle and then by the consolidation of domestic demand.
The greater stability of the financial markets will enable central banks to withdraw the many unconventional monetary policy measures adopted between 2008 and 2009. However, the withdrawal of excess reserves will be gradual and will involve small increases in interest rates on shorter maturities. Any increases in benchmark rates would only be slight. The scenario of abundant liquidity, slow growth and low inflation should also favour the stability of rates on medium- and long-term maturities.
As to money-market rates, bank rates are expected to grow only slightly during the year.
The lending scenario will be influenced by the improvement of the economic cycle, which however will continue to be affected by sluggish growth of the economy, high unemployment and higher credit risk.
The structural changes linked to review of the financial regulatory framework will also be important. Possible changes to the rules on banks' capital and liquidity requirements make the context particularly uncertain.
However, lending activity is expected to gradually recover during 2010 in line with the gradual improvement in the economic cycle. However, due to the traditional delay in the emergence of non-performing loans, aggravated by the foreseeable persistent difficulties experienced by businesses in a scenario of low growth, adjustments to loans will continue to have a significant impact on the profits of banks.
Direct funding will continue to be a strategic lever, although it is expected to slow down in the course of 2010, in line with the gradual return to normal of the money and financial markets, which should encourage investors to shift to higher risk/return instruments. Consequently, the improving trend in assets under management recorded in 2009 is expected to continue.

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 between the two years, the 2008 year-end income statement figures and the figures for the respective quarters of 2008 and 2009 have been restated to reflect – in addition to the components classified under non-current assets held for sale and discontinued operations and, for the quarters of 2008, to the final allocation of purchase prices – any minor changes in the scope of consolidation. The restated financial statements were 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 have not been considered, as they were irrelevant. Lastly, please note that no current intragroup relations have been netted as part of these adjustments since their amount was not significant.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
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 are 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;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading, as already done in the 2008 financial statements, to reflect the close correlation generated by the market situation;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities are included in Profits (Losses) on trading;
- Profits (losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recovery 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 has 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 includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- 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 economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption. It represents 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)

	2009	2008	Changes amount	Changes %
Net interest income	10,486	11,518	-1,032	-9.0
Dividends and profits (losses) on investments carried at equity	46	138	-92	-66.7
Net fee and commission income	5,341	5,698	-357	-6.3
Profits (Losses) on trading	1,122	-53	1,175	
Income from insurance business	437	400	37	9.3
Other operating income (expenses)	48	140	-92	-65.7
Operating income	**17,480**	**17,841**	**-361**	**-2.0**
Personnel expenses	-5,587	-5,713	-126	-2.2
Other administrative expenses	-3,192	-3,333	-141	-4.2
Adjustments to property, equipment and intangible assets	-680	-805	-125	-15.5
Operating costs	**-9,459**	**-9,851**	**-392**	**-4.0**
Operating margin	**8,021**	**7,990**	**31**	**0.4**
Goodwill impairment	-	-1,065	-1,065	
Net provisions for risks and charges	-297	-318	-21	-6.6
Net adjustments to loans	-3,706	-2,566	1,140	44.4
Net impairment losses on other assets	-235	-949	-714	-75.2
Profits (Losses) on investments held to maturity and on other investments	545	266	279	
Income (Loss) before tax from continuing operations	**4,328**	**3,358**	**970**	**28.9**
Taxes on income from continuing operations	-960	-108	852	
Merger and restructuring-related charges (net of tax)	-214	-657	-443	-67.4
Effect of purchase price allocation (net of tax)	-385	-1,088	-703	-64.6
Income (Loss) after tax from discontinued operations	169	1,195	-1,026	-85.9
Minority interests	-133	-147	-14	-9.5
Net income	**2,805**	**2,553**	**252**	**9.9**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2009				2008				
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,487	2,582	2,758	2,659	2,862	3,020	2,866	2,770	2,880
Dividends and profits (losses) on investments carried at equity	-2	18	36	-6	30	13	29	66	35
Net fee and commission income	1,497	1,327	1,301	1,216	1,243	1,361	1,515	1,579	1,425
Profits (Losses) on trading	129	447	439	107	-354	17	244	40	-13
Income from insurance business	133	116	124	64	171	43	107	79	100
Other operating income (expenses)	29	-7	5	21	-57	78	84	35	35
Operating income	**4,273**	**4,483**	**4,663**	**4,061**	**3,895**	**4,532**	**4,845**	**4,569**	**4,460**
Personnel expenses	-1,456	-1,390	-1,351	-1,390	-1,433	-1,397	-1,432	-1,451	-1,428
Other administrative expenses	-888	-743	-810	-751	-1,016	-779	-790	-748	-833
Adjustments to property, equipment and intangible assets	-202	-166	-156	-156	-223	-198	-193	-191	-201
Operating costs	**-2,546**	**-2,299**	**-2,317**	**-2,297**	**-2,672**	**-2,374**	**-2,415**	**-2,390**	**-2,463**
Operating margin	**1,727**	**2,184**	**2,346**	**1,764**	**1,223**	**2,158**	**2,430**	**2,179**	**1,998**
Goodwill impairment	-	-	-	-	-1,065	-	-	-	-266
Net provisions for risks and charges	-99	-66	-63	-69	-164	-76	-45	-33	-80
Net adjustments to loans	-1,069	-823	-1,081	-733	-999	-854	-401	-312	-642
Net impairment losses on other assets	-160	4	-72	-7	-898	-40	-3	-8	-237
Profits (Losses) on investments held to maturity and on other investments	517	13	15	-	-208	177	284	13	67
Income (Loss) before tax from continuing operations	**916**	**1,312**	**1,145**	**955**	**-2,111**	**1,365**	**2,265**	**1,839**	**840**
Taxes on income from continuing operations	-169	-498	-476	183	1,633	-473	-682	-586	-27
Merger and restructuring-related charges (net of tax)	-84	-44	-38	-48	-182	-86	-68	-321	-164
Effect of purchase price allocation (net of tax)	-90	-98	-102	-95	-656	-148	-153	-131	-272
Income (Loss) after tax from discontinued operations	27	21	16	105	96	43	37	1,019	299
Minority interests	-57	-19	-32	-25	-8	-27	-41	-71	-37
Net income	**543**	**674**	**513**	**1,075**	**-1,228**	**674**	**1,358**	**1,749**	**638**

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

In a difficult market context due to the consequences of the severest financial and economic crisis since the 1930's, Intesa Sanpaolo closed out its 2009 financial statements with results that may be considered satisfactory, highlighting a solid financial and business structure while also maintaining a close relationship with the economies in which it operates.
The decrease in revenues, which was limited to 2% on an annual basis, is a direct consequence of the economic slowdown, while the more considerable drop in operating costs (-4%, also on an annual basis) bears witness to the operating system's flexibility and aptitude to adapt to changes in the market scenario.
The heavy losses on loans may also be attributed to the economic slowdown and the crisis that struck many businesses and reduced the economic resources available to individuals.
Despite this unfavourable scenario, the Group's net income for 2009 was 2,805 million euro, up approximately 10% compared to 2008.

Operating income

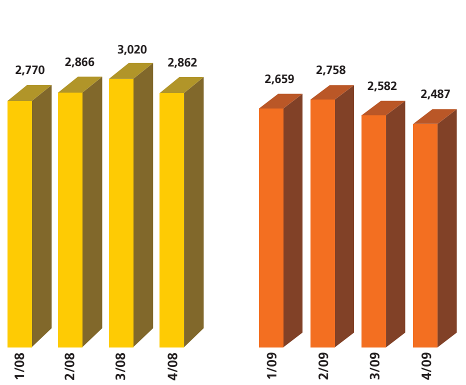
The Group's net operating income in 2009 was 17,480 million euro, marking a decrease of 2% on the previous year, which was more moderate than that disclosed in the September interim report (-5.3%). The decrease in interest and commissions was largely offset by the positive performance of profits on trading of financial assets and, to a lesser extent, income from insurance business. Dividends and profits on investments carried at equity and other operating income also decreased.
The trend that emerges from a comparison between the two years in question was essentially caused by the decrease in net interest income (-9%) as a result of the fall in interest rates, with a particular focus on the erosion of the mark-down on funding, as well as lower fee and commission income (-6.3%) due to the negative performance of the asset management sector.
Operating income came to 4,273 million euro in the fourth quarter of 2009, 210 million euro less than in the third quarter (4,483 million euro). This decrease is primarily attributable to the fall in profits on trading (-318 million euro), which in the second and third quarters had benefited from the bull market and, to a lesser extent, to the fall of net interest income (-95 million euro), which was not sufficiently offset by the rise in net fee and commission income (+170 million euro).

Net interest income

(millions of euro)

	2009	2008	Changes	
			amount	%
Relations with customers	12,809	17,064	-4,255	-24.9
Securities issued	-5,873	-7,183	-1,310	-18.2
Differentials on hedging derivatives	1,537	-627	2,164	
Customer dealing	**8,473**	**9,254**	**-781**	**-8.4**
Financial assets held for trading	846	950	-104	-10.9
Investments held to maturity	170	269	-99	-36.8
Financial assets available for sale	461	700	-239	-34.1
Financial operations	**1,477**	**1,919**	**-442**	**-23.0**
Relations with banks	**-34**	**-179**	**-145**	**-81.0**
Non-performing assets	**686**	**622**	**64**	**10.3**
Other net interest income	**-116**	**-98**	**18**	**18.4**
Net interest income	**10,486**	**11,518**	**-1,032**	**-9.0**

Quarterly development of net interest income



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

Net interest income, which, as always, represents the main revenue caption for the year, slowed down significantly, coming to 10,486 million euro, down 9% compared to 2008, due to the further erosion of spreads resulting from the decrease in interest rates that continued in the second half of 2009.

Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 8,473 million euro, down by 781 million euro (-8.4%) compared to 2008. The trend was affected not only by the erosion of mark-down, but also by the elimination of the overdraft charge and the increase in non-performing loans. Cost of funding was also influenced by the funding policies geared towards liquidity objectives, focusing on stable and well-diversified forms of funding. Net interest income on short-term captions was penalised by the reduction of the spread on funding, which more than offset the growth of intermediated volumes, despite the partial hedging against the fall in interest rates.

The positive flow resulting from hedging derivative differentials, especially on fixed-rate funding, made a decisive contribution to net interest income, passing from a negative balance of 627 million euro in 2008 to a positive balance of 1,537 million euro. The measures implemented by the Treasury Department, in line with international best practice, aimed at covering, including through interest-rate swaps, the interest rate risk implicit in the demand segment of funding estimated to be stable over time and largely unaffected by changes in market rates were especially effective in this context.

Net interest income on financial investments declined by 23%, falling from 1,919 million euro to 1,477 million euro due to the decrease in profitability as a result of lower interest rates.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Relations with customers	2,770	2,927	3,345	3,767	-5.4	-12.5	-11.2
Securities issued	-1,380	-1,319	-1,461	-1,713	4.6	9.7	14.7
Differentials on hedging derivatives	528	535	399	75	-1.3	34.1	
Dealing with customers	**1,918**	**2,143**	**2,283**	**2,129**	**-10.5**	**-6.1**	**7.2**
Financial assets held for trading	212	195	196	243	8.7	-0.5	-19.3
Investments held to maturity	34	42	40	54	-19.0	5.0	-25.9
Financial assets available for sale	85	110	142	124	-22.7	-22.5	14.5
Financial operations	**331**	**347**	**378**	**421**	**-4.6**	**-8.2**	**-10.2**
Relations with banks	**103**	**-45**	**-35**	**-57**		**28.6**	**38.6**
Non-performing assets	**173**	**165**	**160**	**188**	**4.8**	**3.1**	**-14.9**
Other net interest income	**-38**	**-28**	**-28**	**-22**	**35.7**	**-**	**27.3**
Net interest income	**2,487**	**2,582**	**2,758**	**2,659**	**-3.7**	**-6.4**	**3.7**

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

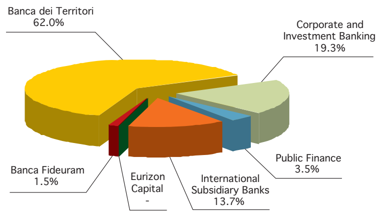
An analysis of net interest income by quarter shows a decline in the second part of the year attributable in part to the effects of the elimination of the overdraft charge effective from the end of June.

(millions of euro)

	2009	2008	Changes	
			amount	%
Banca dei Territori	6,466	7,633	-1,167	-15.3
Corporate and Investment Banking	2,010	1,474	536	36.4
Public Finance	368	308	60	19.5
International Subsidiary Banks	1,433	1,478	-45	-3.0
Eurizon Capital	2	10	-8	-80.0
Banca Fideuram	158	158	-	-
Total business areas	**10,437**	**11,061**	**-624**	**-5.6**
Corporate Centre	49	457	-408	-89.3
Intesa Sanpaolo Group	**10,486**	**11,518**	**-1,032**	**-9.0**

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 62% of business area results, recorded a 15.3% decrease in net interest income, mainly due to the reduced mark-down on deposits and the elimination of overdraft charges. International Subsidiary Banks also posted a decline, albeit of a lesser amount (-45 million euro), mainly due to exchange rate effects, as did Eurizon Capital (-8 million euro). On the other hand, Corporate and Investment Banking showed increases (+36.4%), owing chiefly to the rise in average loan volumes and a higher mark-up due to repricing policies, as did the Public Finance sector, albeit to a lesser extent (+19.5%), in connection with new loan origination, loan repricing policies and bigger spreads.

Dividends and profits on investments carried at equity

Dividends and profits on investments carried at equity came to 46 million euro, of which 25 million euro was represented by the dividend collected on the investment in the Bank of Italy and 21 million euro on the measurement of companies consolidated at equity. The caption, which was directly affected by the deterioration of company accounts in 2008 (lower dividends) and 2009 (lower profits earned on investments), was down from the 138 million euro reported in the previous year, in part due to the absence of proceeds of investments sold (Agos and Centrale Bilanci) in 2008 and the losses reported by some companies particularly exposed to the negative economic cycle. Intesa Vita made a positive contribution of 41 million euro. Please note that the dividends relate to non-consolidated companies, excluding those on shares held for trading and securities available for sale recorded under Profits (Losses) on trading.

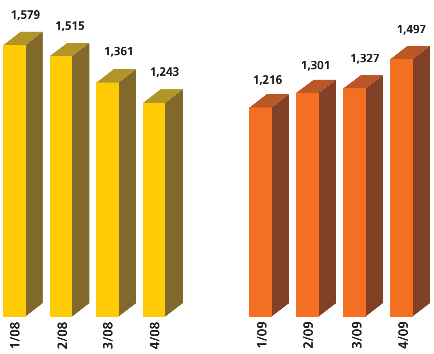
Net fee and commission income

(millions of euro)

	2009	2008	Changes	
			amount	%
Guarantees given	299	262	37	14.1
Collection and payment services	331	387	-56	-14.5
Current accounts	918	901	17	1.9
Credit and debit cards	443	452	-9	-2.0
Commercial banking activities	**1,991**	**2,002**	**-11**	**-0.5**
Dealing and placement of securities	443	500	-57	-11.4
Currency dealing	53	67	-14	-20.9
Portfolio management	1,088	1,357	-269	-19.8
Distribution of insurance products	720	732	-12	-1.6
Other	126	80	46	57.5
Management, dealing and consultancy activities	**2,430**	**2,736**	**-306**	**-11.2**
Other net fee and commission income	**920**	**960**	**-40**	**-4.2**
Net fee and commission income	**5,341**	**5,698**	**-357**	**-6.3**

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 30% of operating income, came to 5,341 million euro, down 6.3% on the previous year. The decrease is essentially due to the dealing and management of financial products. Fees and commissions on commercial banking activities were substantially stable at 1,991 million euro (-0.5% compared to 2008). The trend was the result of the decrease in commissions on collection and payment services (-56 million euro) and credit and debit cards (-9 million euro), owing in part to the unfavourable economic cycle and the ensuing decline in consumption, offset by the rise in commissions on guarantees given (+37 million euro) and current accounts (+17 million).
Commissions generated by management, dealing and consultancy activities were negatively affected by the market crisis for most of the year for two reasons. The first of these was the Group's decision to improve liquidity by privileging the placement of its own securities over those issued by third parties and thus decreasing the contribution of placement fees on the income statement. The second was the resulting caution shown by investors, who privileged low-risk forms of investment that are less profitable.

In particular: overall, management, dealing and consultancy activities generated net fee and commission income of 2,430 million euro, down by 11.2% on 2008. The decrease may be attributed to portfolio management (-19.8%), most markedly collective schemes, owing to a more prudent asset mix, and dealing and placement of securities (-11.4%), offset by an increase in other management and dealing commissions (+57.5%). Fee and commission income on currency dealing and the distribution of insurance profits showed a more moderate decline.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Guarantees given	77	75	74	73	2.7	1.4	1.4
Collection and payment services	79	83	85	84	-4.8	-2.4	1.2
Current accounts	252	259	199	208	-2.7	30.2	-4.3
Credit and debit cards	134	109	107	93	22.9	1.9	15.1
Commercial banking activities	**542**	**526**	**465**	**458**	**3.0**	**13.1**	**1.5**
Dealing and placement of securities	154	84	135	70	83.3	-37.8	92.9
Currency dealing	13	13	13	14	-	-	-7.1
Portfolio management	333	262	248	245	27.1	5.6	1.2
Distribution of insurance products	199	190	178	153	4.7	6.7	16.3
Other	43	22	19	42	95.5	15.8	-54.8
Management, dealing and consultancy activities	**742**	**571**	**593**	**524**	**29.9**	**-3.7**	**13.2**
Other net fee and commission income	**213**	**230**	**243**	**234**	**-7.4**	**-5.3**	**3.8**
Net fee and commission income	**1,497**	**1,327**	**1,301**	**1,216**	**12.8**	**2.0**	**7.0**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation.

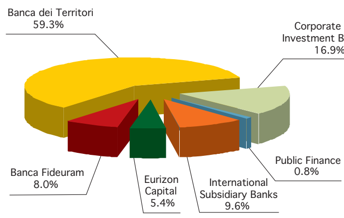
On a quarterly level, net fee and commission income was up by 12.8% in the fourth quarter compared to the third quarter, confirming the positive trend shown in the previous quarters of the same year. In addition, in the third quarter of the year fees and commissions on commercial banking activities began to benefit from the introduction of the commitment fee. Income from management, dealing and consultancy activities was positively affected by the recognition at year end of performance commissions by the mutual funds of Eurizon Capital, most of which exceeded their benchmarks for the reporting year.

(millions of euro)

	2009	2008	Changes amount	Changes %
Banca dei Territori	3,254	3,737	-483	-12.9
Corporate and Investment Banking	930	754	176	23.3
Public Finance	41	45	-4	-8.9
International Subsidiary Banks	527	591	-64	-10.8
Eurizon Capital	297	321	-24	-7.5
Banca Fideuram	441	469	-28	-6.0
Total business areas	**5,490**	**5,917**	**-427**	**-7.2**
Corporate Centre	-149	-219	-70	-32.0
Intesa Sanpaolo Group	**5,341**	**5,698**	**-357**	**-6.3**

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

Business areas



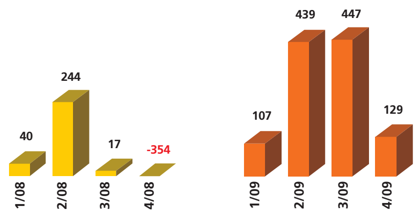
A breakdown by business areas shows that the decrease in net fee and commission income compared to 2008 is mainly attributable to Banca dei Territori (-12.9%), which accounts for 59% of total fee and commission income from business units, due to the negative performance of the asset management sector and the contraction in the placement of products with up-front commissions. International Subsidiary Banks were also down (-10.8%) owing to the lower contribution from the segments of asset management, payment cards and guarantees given, as were Eurizon Capital (-7.5%) and Banca Fideuram (-6%), which suffered from the decrease in average assets under management and the shift in the composition of assets under management towards less profitable products, respectively. Public Finance also reported a decline (-4 million euro), albeit to a lesser extent in absolute terms. In this case, the phenomenon is attributable to the limited number of structured transactions resulting from the unfavourable public finance scenario. An opposite trend was seen in Corporate and Investment Banking, with an increase in net fees and commissions (+23.3%) attributable to the primary market (equity and debt capital markets) and to extraordinary corporate transactions in the large-corporate segment.

Profits (Losses) on trading

(millions of euro)

	2009	2008	Changes	
			amount	%
Interest rates	666	-465	1,131	
Equity instruments	65	95	-30	-31.6
Currencies	325	519	-194	-37.4
Structured credit products	-26	-612	-586	-95.8
Credit derivatives	-78	85	-163	
Commodity derivatives	-	21	-21	
Trading result	**952**	**-357**	**1,309**	
Trading on AFS securities and financial liabilities	**170**	**304**	**-134**	**-44.1**
Profits (Losses) on trading	**1,122**	**-53**	**1,175**	

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 of operations mostly exposed to market volatility, showed especially significant profit recovery in 2009. A profit of 1,122 million euro compares with a loss of 53 million euro in 2008, driven by the decrease in transaction volumes and the impairment of structured credit products, as well as the decrease in the fair value of other trading products. The profit was primarily achieved through capital market trading activity, more effective management of the proprietary portfolio, and, most importantly, the improvement in the fair value of assets held for trading.
In particular, interest rate transactions (involving debt securities and interest-rate derivatives) generated a positive contribution of 666 million euro. Structured credit products continue to show a negative contribution of 26 million euro, although this represents a considerable improvement over the -612 million euro from the previous year.
The other segments also showed positive results, although their contributions were lower than the previous year in absolute terms. Trading of equity instruments generated a profit of 65 million, while currency and currency derivatives transactions netted 325 million euro.
Lastly, the 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.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Interest rates	89	255	114	208	-65.1		-45.2
Equity instruments	-85	-26	287	-111			
Currencies	107	94	33	91	13.8		-63.7
Structured credit products	10	39	4	-79	-74.4		
Credit derivatives	-37	-39	-15	13	5.1		
Commodity derivatives	-12	6	4	2		50.0	
Trading result	**72**	**329**	**427**	**124**	**-78.1**	**-23.0**	
Trading on AFS securities and financial liabilities	**57**	**118**	**12**	**-17**	**-51.7**		
Profits (Losses) on trading	**129**	**447**	**439**	**107**	**-71.1**	**1.8**	

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

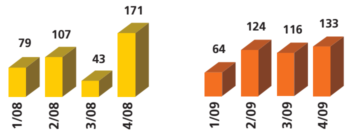
At the quarterly level, profits in the fourth quarter (129 million euro) were lower than in the third quarter (447 million euro), when they included the gains on the sale of the stake in Natixis (86 million euro) and Banca Generali (28 million euro) and benefited significantly from bull market performance.

Income from insurance business

(millions of euro)

	2009			2008			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Premiums and payments [a]	-497	103	-394	112	118	230	-624	
net premiums	*6,433*	*146*	*6,579*	*1,619*	*155*	*1,774*	*4,805*	
net charges for claims and surrendering of policies	*-3,738*	*-44*	*-3,782*	*-4,845*	*-37*	*-4,882*	*-1,100*	*-22.5*
net charges for changes in technical reserves	*-3,192*	*1*	*-3,191*	*3,338*	*-*	*3,338*	*-6,529*	
Net income from financial instruments designated at fair value through profit and loss [b]	705	-	705	-11	-	-11	716	
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [c]	737	12	749	731	10	741	8	1.1
Other income/charges from insurance business[d]	-559	-64	-623	-476	-84	-560	63	11.3
Income from insurance business	**386**	**51**	**437**	**356**	**44**	**400**	**37**	**9.3**

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.

In 2009, income from insurance business, which includes the revenue items of the Group's life and non-life companies, was 437 million euro, up 9.3% compared to the previous year.
The improvement may be attributed in particular to the positive performance of financial management, which, despite lower interest rates and a lesser contribution by dividends in the equities segment, benefited from dynamic management aimed at seeking out the best investment opportunities and, most importantly, was affected to a significantly lesser degree by write-downs of financial investments.
From a technical management standpoint, the improvement in the financial market scenario contributed to a decrease in the prudential provisions made to several reserve captions.
The rise in charges for policies accrued during the year was caused by the especially positive performance of new traditional policy business through bank branch networks. This increase in production contributed to the growth of volumes managed, which in turn will contribute to revenues in future periods.
The non-life business's result improved primarily owing to the decline in expenses associated with insurance products.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Premiums and payments [(a)]	-78	-202	-157	43	61.4	28.7	
net premiums	*1,867*	*2,175*	*1,907*	*630*	-14.2	14.1	
net charges for claims and surrendering of policies	*-950*	*-848*	*-1,130*	*-854*	12.0	25.0	32.3
net charges for changes in technical reserves	*-995*	*-1,529*	*-934*	*267*	34.9	63.7	
Net income from financial instruments designated at fair value through profit and loss [(b)]	134	291	248	32	-54.0	17.3	
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	243	194	192	120	25.3	1.0	60.0
Other income/charges from insurance business[(d)]	-166	-167	-159	-131	0.6	5.0	21.4
Income from insurance business	**133**	**116**	**124**	**64**	**14.7**	**-6.5**	**93.8**

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.

Income from the insurance business amounted to 133 million euro in the fourth quarter, marking an improvement over each of the three previous quarters: this trend was caused by the increased contribution of financial management, in addition to the release of supplementary reserves due to the easing of tension on the markets.

Other operating income (expenses)

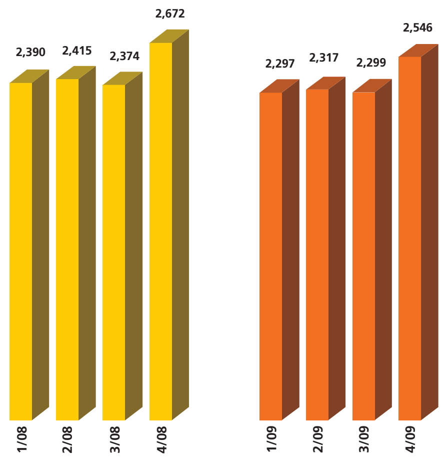
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense and tax recoveries that have led to a reduction in administrative expenses. This caption recorded a positive balance of 48 million euro, compared to 140 million euro in 2008: both periods benefited from extraordinary gains associated with the settlement of an important dispute for over 50 million euro in 2009 and over 120 million euro in 2008.

Operating costs

(millions of euro)

	2009	2008	Changes amount	Changes %
Wages and salaries	3,958	4,010	-52	-1.3
Social security charges	1,025	1,018	7	0.7
Other	604	685	-81	-11.8
Personnel expenses	**5,587**	**5,713**	**-126**	**-2.2**
Information technology expenses	748	803	-55	-6.8
Management of real estate assets	785	748	37	4.9
General structure costs	461	487	-26	-5.3
Professional and legal expenses	516	549	-33	-6.0
Advertising and promotional expenses	170	219	-49	-22.4
Indirect personnel costs	131	147	-16	-10.9
Other costs	315	322	-7	-2.2
Indirect taxes and duties	648	643	5	0.8
Recovery of expenses and charges	-582	-585	-3	-0.5
Administrative expenses	**3,192**	**3,333**	**-141**	**-4.2**
Property and equipment	408	452	-44	-9.7
Intangible assets	272	353	-81	-22.9
Adjustments	**680**	**805**	**-125**	**-15.5**
Operating costs	**9,459**	**9,851**	**-392**	**-4.0**

Quarterly development of operating costs



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

In 2009, operating costs came to 9,459 million euro, down 4% compared to the previous year, following the general decrease in the cost structure initiated by the integration of the Intesa and Sanpaolo IMI Groups.
Personnel expenses decreased by 2.2% compared to 2008 to come to 5,587 million euro. This decrease is essentially due to the smaller workforce both at period-end and as an average for the year, in accordance with the human resource optimisation policies adopted, and to the lower costs recorded for typical year-end captions, which phenomena were partially offset by the greater cost of contractual tranches in 2009.
Administrative expenses amounted to 3,192 million euro, down 4.2%, despite the increase in taxes caused by the elimination of the VAT exemption for intragroup services (approximately 70 million euro) effective 1 January 2009. This positive performance was primarily driven by information technology expenses, which benefited from the completion of integration processes, advertising and promotional expenses, professional and legal expenses and general structure costs.
Adjustments came to 680 million euro and were down 15.5% on the previous year due to the disposal of assets following the merger.
The cost/income ratio for the period was 54.1%, marking an improvement over 55.2% in 2008, primarily due to the decrease in costs, which outpaced the decline in revenues.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Wages and salaries	1,016	978	978	986	3.9	-	-0.8
Social security charges	262	257	252	254	1.9	2.0	-0.8
Other	178	155	121	150	14.8	28.1	-19.3
Personnel expenses	**1,456**	**1,390**	**1,351**	**1,390**	**4.7**	**2.9**	**-2.8**
Information technology expenses	215	174	185	174	23.6	-5.9	6.3
Management of real estate assets	201	205	181	198	-2.0	13.3	-8.6
General structure costs	117	107	122	115	9.3	-12.3	6.1
Professional and legal expenses	173	107	130	106	61.7	-17.7	22.6
Advertising and promotional expenses	60	34	46	30	76.5	-26.1	53.3
Indirect personnel costs	43	27	32	29	59.3	-15.6	10.3
Other costs	80	67	85	83	19.4	-21.2	2.4
Indirect taxes and duties	158	161	174	155	-1.9	-7.5	12.3
Recovery of expenses and charges	-159	-139	-145	-139	14.4	4.1	4.3
Administrative expenses	**888**	**743**	**810**	**751**	**19.5**	**-8.3**	**7.9**
Property and equipment	113	99	98	98	14.1	1.0	-
Intangible assets	89	67	58	58	32.8	15.5	-
Adjustments	**202**	**166**	**156**	**156**	**21.7**	**6.4**	**-**
Operating costs	**2,546**	**2,299**	**2,317**	**2,297**	**10.7**	**-0.8**	**0.9**

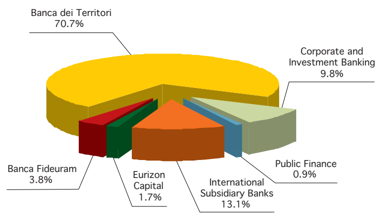
Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation.

At the quarterly level, operating costs increased by 10.7% in the fourth quarter compared to the third quarter of 2009. The increase is primarily attributable to administrative expenses, which traditionally weigh more heavily at the end of the year: the most significant differences were in professional and legal expenses, information technology expenses and advertising and promotional expenses.

(millions of euro)

	2009	2008	Changes	
			amount	%
Banca dei Territori	6,116	6,382	-266	-4.2
Corporate and Investment Banking	852	865	-13	-1.5
Public Finance	81	80	1	1.3
International Subsidiary Banks	1,137	1,226	-89	-7.3
Eurizon Capital	138	146	-8	-5.5
Banca Fideuram	328	327	1	0.3
Total business areas	**8,652**	**9,026**	**-374**	**-4.1**
Corporate Centre	807	825	-18	-2.2
Intesa Sanpaolo Group	**9,459**	**9,851**	**-392**	**-4.0**

Business areas



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

The decrease in the Group's operating costs (-4%) was the merit of all business units, with the exception of Public Finance and Banca Fideuram, which presented substantially stable costs. The greatest cost reductions were made by Banca dei Territori (-266 million euro), which accounts for 71% of business area costs, and the International Subsidiary Banks (-89 million euro). Corporate and Investment Banking (-13 million euro) and Eurizon Capital (-8 million euro) showed more moderate declines in absolute terms. The Corporate Centre's costs were also down (-2.2%).

Operating margin

In 2009, operating margin totalled 8,021 million euro, up 0.4% from the previous year. This change was generated by the decrease in operating costs, largely offset by the reduction in the main income items. The operating margin was 1,727 million euro in the fourth quarter, lower than in the third quarter (2,184 million euro), primarily due to the deterioration of profit (loss) on trading and net interest income, as well as greater operating costs concentrated in the latter part of the year.

Adjustments to/write-backs on assets

Goodwill impairment

No goodwill impairment was recognised in 2009, as opposed to the previous year, when 1,065 million euro was recorded, attributable to the impairment of the goodwill on Pravex Bank (390 million euro), Banca Fideuram (580 million euro) and Eurizon Capital (95 million euro).
Impairment tests conducted in accordance with IAS 36 (of which a detailed discussion is provided in the Notes) did not detect any further impairment of the carrying amounts of goodwill.

Net provisions for risks and charges

Net provisions for risks and charges came to 297 million euro. The provisions in 2009 were slightly higher (318 million euro) than those recognised in 2008. The net provisions in the fourth quarter exceeded those of the previous quarters, as was also the case in 2008.
The most important items were lawsuits with customers and revocatory actions, as usual.

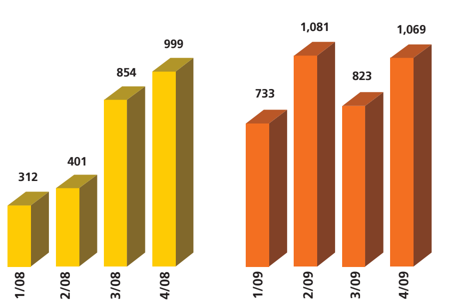
Net adjustments to loans

(millions of euro)

	2009	2008	Changes	
			amount	%
Doubtful loans	-1,713	-1,279	434	33.9
Substandard loans	-1,631	-932	699	75.0
Restructured loans	-60	-83	-23	-27.7
Past due loans	-191	-183	8	4.4
Performing loans	-115	-162	-47	-29.0
Net impairment losses on loans	**-3,710**	**-2,639**	**1,071**	**40.6**
Net adjustments to guarantees and commitments	**4**	**73**	**-69**	**-94.5**
Net adjustments to loans	**-3,706**	**-2,566**	**1,140**	**44.4**

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

Quarterly development of net adjustments to loans



Since autumn 2008, the persistent deterioration of the economic situation has led to a marked increase in non-performing loans, which was paralleled by a corresponding increase in net adjustments to doubtful and substandard loans. The indication of a significant rise in these expenses in 2009 provided in the 2008 financial statements therefore continues to hold true.
Net adjustments to loans came to 3,706 million, a value significantly higher than the 2,566 million euro reported in the previous year. In addition, impairment losses on loans have remained substantially stable over the past three six-month periods following the explosion of the financial market crisis in autumn 2008.
The fact that net adjustments to loans in 2009 increased significantly compared to 2008 and that the caption has remained at especially high levels for the past three six-month periods is a direct consequence of the deterioration of the loan portfolio's quality as a result of the crisis affecting the economies of Italy and the other main countries in which the Group operates.
While reference should be made to the comment on the balance sheet caption for a more detailed review of non-performing loan dynamics, it should be noted that the gross amount of substandard positions increased significantly (+6 billion euro compared to the 2008 financial statements), as did gross doubtful loans (+3.4 billon euro), which required net adjustments of 3,344 million euro, up by 1,133 million euro on 2008.
A total of 4 million euro in write-backs were recognised on guarantees given, compared to 73 million euro in 2008.

(millions of euro)

	2009				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Doubtful loans	-581	-420	-410	-302	38.3	2.4	35.8
Substandard loans	-347	-341	-575	-368	1.8	40.7	56.3
Restructured loans	-46	-2	-12	-		83.3	-
Past due loans	-52	-46	-51	-42	13.0	9.8	21.4
Performing loans	-74	-12	-6	-23			73.9
Net impairment losses on loans	**-1,100**	**-821**	**-1,054**	**-735**	**34.0**	**22.1**	**43.4**
Net adjustments to guarantees and commitments	**31**	**-2**	**-27**	**2**		**92.6**	
Net adjustments to loans	**-1,069**	**-823**	**-1,081**	**-733**	**29.9**	**23.9**	**47.5**

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

Setting aside considerations of six-month periods, the fourth quarter, compared to the previous quarters of the year, showed an increase in net adjustments to loans (246 million euro), while remaining below the maximum levels reached in the second quarter.

Net impairment losses on other assets
Net impairment losses on other assets amounted to 235 million euro in 2009, of which 68 million euro was associated with securities held by the Parent Company, Intesa Sanpaolo, 61 million euro with securities in the portfolios of insurance companies and 61 million euro with investments held by Equiter. The figure declined significantly compared to the 949 million euro reported in 2008.
Impairment charged to the income statement is almost entirely associated with securities available for sale (228 million euro). Recognition in the income statement is largely a consequence of the continuation of the severely depressed financial market scenario.

Profits (Losses) on investments held to maturity and on other investments
Profits (losses) on investments held to maturity and on other investments amounted to 545 million euro and are attributable to the capital gain on Findomestic realised by Carifirenze (439 million euro) and the capital gain on Esaote realised by the Parent company, Intesa Sanpaolo, and IMI Investimenti (70 million euro), both of which occurred in the fourth quarter. It should be noted that part of the gain on Findomestic (282 million euro) is attributable to the sale of 25% of the investment and part (157 million euro) to the revaluation at fair value of the stake retained (in accordance with international accounting standards). In addition, this revaluation was conducted on the basis of the minimum sale price already agreed upon with BNP Paribas. Part of the capital gain on the sale of the stake in Esaote set out above (23 million euro) also refers to the interest retained through a new vehicle.
In addition to the foregoing, the Group realised capital gains on the sale of investments in SI Holding (13 million euro) and Intesa Trade (12 million euro). The 266 million euro recognised in 2008 was the result of the capital gains realised on the sale of investments (Agos and Centrale dei Bilanci) and real estate, net of impairment on other investments (Telco, RCS, Allfunds, NH Hoteles and Pirelli & C.).

Income before tax from continuing operations
Income before tax from continuing operations came to 4,328 million euro, up 28.9% from 2008. While operating income remained substantially stable, the improvement was driven by lesser impairment losses on goodwill and other assets and greater profits on investments held to maturity and other investments, which more than offset the rise in net adjustments to loans. At the quarterly level, the fourth quarter was penalised by greater adjustments to loans.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes accrued in 2009 resulted in provisions of 960 million euro, compared to 108 million euro in 2008, which benefited significantly from the exercise of the option for the recognition of goodwill on business combinations for tax purposes. The tax position was positively affected by the difference between the reversal to the income statement of deferred taxes at full rates and the substitute tax charge at a lower rate due to the detaxation of intangible assets (511 million euro) and employee termination indemnities (26 million euro). Lastly, there was the recognition of the IRES credit resulting from the submission of refund applications for the greater tax paid in tax periods 2004 to 2007 as a consequence of the subsequent admission of the deductibility of 10% of IRAP, which resulted in a positive effect on the tax caption of 62 million euro, as well as the recognition of deferred tax assets relating to the Luxembourg subsidiary PEI.

The comparison with the previous year's tax position, which benefited from income resulting from the realignment of the tax values of goodwill with its book values for 1,107 million euro and the recognition of deferred tax assets of an extraordinary nature for 572 million euro, is insignificant.
The tax rate for 2009, adjusted to account for the positive components of taxes as indicated above, and the effect of the favourable tax treatment of capital gains and the revaluation of investments, came to 41%.

Merger and restructuring-related charges (net of tax)
Net of tax effects, merger and restructuring-related charges amounted to 214 million euro, significantly lower than the 657 million euro of the previous year, thanks to the end of charges for employees' access to the Solidarity Allowance, pursuant to Ministerial Decree 158/2000, and thanks to the decrease in merger and restructuring-related IT and consulting charges.

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, on recognition of acquisition transactions. The decrease from 1,088 million euro in 2008 to 385 million euro in 2009 is due to the distribution of amortisation over a steeply declining curve and the recognition in the previous year of impairment losses (521 million) on intangible assets recognised in business combinations undertaken in 2007 and 2008.

Income (Loss) from discontinued operations (net of tax)
Income (loss) from discontinued operations (net of tax) amounted to 169 million euro and was mainly the result of the profits (124 million euro) earned by the securities services business line, the sale of which was resolved in December 2009, and the gains on the sale of Cassa di Risparmio di Orvieto and some Group branches operating in the provinces of Pistoia and La Spezia, completed in March 2009.
This result may be compared with the income of 1,195 million euro in 2008 that included gains on the sale of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige and the sale of Cassa di Risparmio di Fano to Credito Valtellinese, in addition to the profits or losses reported by these entities until the date on which the respective transactions were closed.

Net income
The Group closed 2009 with a net income of 2,805 million euro, up 9.9% from 2,553 million euro in the previous year.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of results for the period. The comparative figures have been restated to account for non-current assets held for sale and discontinued operations. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.
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.
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 just one caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

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

Reclassified balance sheet

(millions of euro)

Assets	31.12.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	69,825	61,060	8,765	14.4
Financial assets designated at fair value through profit and loss	21,965	19,720	2,245	11.4
Financial assets available for sale	35,895	29,274	6,621	22.6
Investments held to maturity	4,561	5,572	-1,011	-18.1
Due from banks	43,242	48,766	-5,524	-11.3
Loans to customers	374,033	394,672	-20,639	-5.2
Investments in associates and companies subject to joint control	3,059	2,775	284	10.2
Property, equipment and intangible assets	31,080	31,859	-779	-2.4
Tax assets	7,320	7,466	-146	-2.0
Non-current assets held for sale and discontinued operations	6,552	10,211	-3,659	-35.8
Other assets	27,312	24,758	2,554	10.3
Total Assets	**624,844**	**636,133**	**-11,289**	**-1.8**

Liabilities and Shareholders' Equity	31.12.2009	31.12.2008	Changes	
			amount	%
Due to banks	43,369	49,415	-6,046	-12.2
Due to customers and securities issued	396,057	397,517	-1,460	-0.4
Financial liabilities held for trading	42,249	45,845	-3,596	-7.8
Financial liabilities designated at fair value through profit and loss	25,887	25,119	768	3.1
Tax liabilities	2,965	4,427	-1,462	-33.0
Liabilities associated with non-current assets held for sale and discontinued operations	9,723	11,897	-2,174	-18.3
Other liabilities	22,447	26,157	-3,710	-14.2
Technical reserves	23,582	20,248	3,334	16.5
Allowances for specific purpose	4,794	5,454	-660	-12.1
Share capital	6,647	6,647	-	-
Reserves	43,659	41,166	2,493	6.1
Valuation reserves	-430	-1,412	-982	-69.5
Minority interests	1,090	1,100	-10	-0.9
Net income	2,805	2,553	252	9.9
Total Liabilities and Shareholders' Equity	**624,844**	**636,133**	**-11,289**	**-1.8**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2009				2008			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	69,825	77,644	74,744	78,833	61,060	49,526	54,848	53,268
Financial assets designated at fair value through profit and loss	21,965	21,927	20,958	20,218	19,720	20,479	20,915	20,499
Financial assets available for sale	35,895	36,119	33,118	32,680	29,274	30,877	37,076	38,941
Investments held to maturity	4,561	4,772	5,241	5,461	5,572	5,763	5,976	5,709
Due from banks	43,242	42,468	45,123	41,561	48,766	68,773	64,692	63,436
Loans to customers	374,033	377,384	385,889	386,595	394,672	382,272	370,284	358,641
Investments in associates and companies subject to joint control	3,059	2,984	2,909	2,889	2,775	2,819	2,751	2,786
Property, equipment and intangible assets	31,080	31,009	31,234	31,582	31,859	34,397	34,298	32,745
Tax assets	7,320	6,819	7,233	7,414	7,466	4,124	4,123	3,731
Non-current assets held for sale and discontinued operations	6,552	7,247	6,643	8,101	10,211	12,882	12,410	12,323
Other assets	27,312	23,235	25,350	23,970	24,758	22,203	20,599	16,972
Total Assets	**624,844**	**631,608**	**638,442**	**639,304**	**636,133**	**634,115**	**627,972**	**609,051**

Liabilities and Shareholders' Equity	2009				2008			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	43,369	43,539	46,961	46,607	49,415	62,303	61,031	69,468
Due to customers and securities issued	396,057	398,789	407,217	402,446	397,517	399,009	384,660	358,742
Financial liabilities held for trading	42,249	45,318	41,309	48,696	45,845	27,931	29,809	29,967
Financial liabilities designated at fair value through profit and loss	25,887	26,424	25,922	25,151	25,119	25,837	26,512	26,905
Tax liabilities	2,965	3,076	2,900	4,531	4,427	3,949	3,992	4,882
Liabilities associated with non-current assets held for sale and discontinued operations	9,723	9,702	10,210	10,771	11,897	12,641	12,870	12,670
Other liabilities	22,447	23,982	26,048	25,287	26,157	23,369	29,193	26,329
Technical reserves	23,582	22,510	20,803	19,799	20,248	21,151	21,783	22,540
Allowances for specific purpose	4,794	5,210	5,228	5,438	5,454	6,050	6,517	6,587
Share capital	6,647	6,647	6,647	6,647	6,647	6,647	6,647	6,647
Reserves	43,659	43,612	43,548	43,697	41,166	41,098	41,109	41,154
Valuation reserves	-430	-589	-1,041	-1,905	-1,412	-714	-299	-49
Minority interests	1,090	1,126	1,102	1,064	1,100	1,063	1,041	1,460
Net income	2,805	2,262	1,588	1,075	2,553	3,781	3,107	1,749
Total Liabilities and Shareholders' Equity	**624,844**	**631,608**	**638,442**	**639,304**	**636,133**	**634,115**	**627,972**	**609,051**

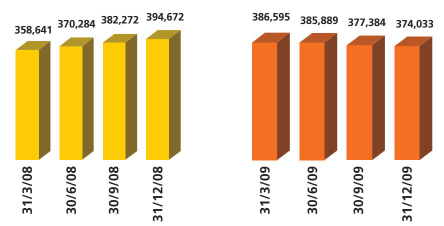
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	32,323	8.7	37,425	9.5	-5,102	-13.6
Mortgages	164,620	44.0	168,876	42.8	-4,256	-2.5
Advances and other loans	127,532	34.1	153,174	38.8	-25,642	-16.7
Commercial banking loans	**324,475**	**86.8**	**359,475**	**91.1**	**-35,000**	**-9.7**
Repurchase agreements	**10,586**	**2.8**	**8,177**	**2.1**	**2,409**	**29.5**
Loans represented by securities	**18,527**	**4.9**	**15,496**	**3.9**	**3,031**	**19.6**
Non-performing loans	**20,445**	**5.5**	**11,524**	**2.9**	**8,921**	**77.4**
Loans to customers	**374,033**	**100.0**	**394,672**	**100.0**	**-20,639**	**-5.2**

Quarterly development Loans to customers



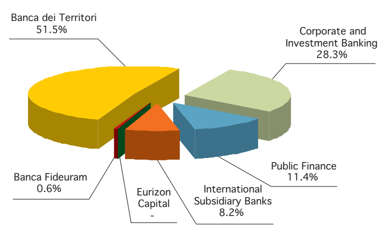
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

At 31 December 2009, the Intesa Sanpaolo Group's loans to customers were down by 5.2% compared to the end of the previous year. This change was conditioned by a market context rendered difficult by the repercussions of the financial and economic crisis.
The decrease in loans was caused by the reduction in commercial banking loans (-9.7%), most markedly in the technical forms of loans and other advances (-16.7%) and current accounts (-13.6%), used especially by companies. The continuing weak demand for funds by households had a lesser impact on mortgages, which decreased by 2.5%. Repurchase agreements (+29.5%) were on the rise, as were loans represented by securities (+19.6%), driven by the transformation of other unfunded structured credit products (derivatives) into funded products (securities) and their ensuing classification among loans. In relation to the risk level of the portfolio, non-performing loans increased significantly on an annual basis, rising to 5.5% of total loans.
In the domestic medium-/long-term loan market, during the year disbursements to households totalled 16.5 billion euro and those to businesses reached nearly 10 billion euro.
As at 31 December 2009, the Group's share of the domestic market (calculated on the harmonised time-series defined for eurozone countries) was 16.4% for total loans, down 0.8% from December 2008. The decrease is mainly attributable to financial and insurance companies, which are normally subject to fluctuations, and the short-term component of loans to businesses. In addition, during the year the Group's doubtful loans increased more moderately than those of the industry at large, and its share of the total consequently fell by more than 3.5 points.

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	184,561	192,950	-8,389	-4.3
Corporate and Investment Banking	101,527	112,435	-10,908	-9.7
Public Finance	40,890	38,830	2,060	5.3
International Subsidiary Banks	29,511	29,847	-336	-1.1
Eurizon Capital	171	-	171	-
Banca Fideuram	1,982	1,802	180	10.0
Total business areas	**358,642**	**375,864**	**-17,222**	**-4.6**
Corporate Centre	15,391	18,808	-3,417	-18.2
Intesa Sanpaolo Group	**374,033**	**394,672**	**-20,639**	**-5.2**

Business areas



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

Breakdown of loans by business area shows a 4.3% decrease for Banca dei Territori, which accounts for over half the aggregate of the Group's business areas; the decrease was driven by a reduction in short-term loans, whereas medium-/long-term loans remained broadly stable. The Corporate and Investment Banking Division also showed a decrease (-9.7%), reflecting both a decline in disbursements to large and international corporate customers and a reduction in Banca IMI's repurchase transactions with institutional operators and financial intermediaries. On the other hand, loans to the public work and infrastructure sector, handled by BIIS increased (+5.3%), due to the new transactions completed during the period and the reclassification of certain debt securities from the "available for sale" to the "loans" category. The International Subsidiary Banks reported a more moderate decline in absolute terms (-336 million euro), whereas Banca Fideuram posted an improvement (+180 million euro) due to the growth of current account overdrafts and repurchase agreements with institutional customers, as did Eurizon Capital (+171 million euro). The decrease in the Corporate Centre's loans (-18.2%) is largely attributable to institutional customers.

Loans to customers: loan portfolio quality

(millions of euro)

	31.12.2009		31.12.2008		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	5,365	1.4	3,968	1.0	1,397
Substandard loans	10,370	2.8	5,291	1.3	5,079
Restructured loans	2,293	0.6	399	0.1	1,894
Past due loans	2,417	0.7	1,866	0.5	551
Non-performing loans	**20,445**	**5.5**	**11,524**	**2.9**	**8,921**
Performing loans	335,061	89.6	367,652	93.2	-32,591
Loans represented by performing securities	18,527	4.9	15,496	3.9	3,031
Loans to customers	**374,033**	**100.0**	**394,672**	**100.0**	**-20,639**

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

(millions of euro)

	31.12.2009			31.12.2008			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	16,459	-11,094	5,365	13,047	-9,079	3,968	1,397
Substandard loans	12,970	-2,600	10,370	7,011	-1,720	5,291	5,079
Restructured loans	2,402	-109	2,293	534	-135	399	1,894
Past due loans	2,577	-160	2,417	2,022	-156	1,866	551
Non-performing loans	**34,408**	**-13,963**	**20,445**	**22,614**	**-11,090**	**11,524**	**8,921**
Performing loans	337,503	-2,442	335,061	370,093	-2,441	367,652	-32,591
Performing loans represented by securities	19,083	-556	18,527	15,863	-367	15,496	3,031
Loans to customers	**390,994**	**-16,961**	**374,033**	**408,570**	**-13,898**	**394,672**	**-20,639**

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

In line with expectations, non-performing loans were conditioned by the economic recession, which resulted in a decrease in the loan portfolio quality. As at the end of 2009, non-performing loans were up on the previous year both in gross terms (+52.2%) and net of adjustments (+77.4%). This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 2.9% to 5.5%. As at 31 December 2009, coverage of non-performing assets came to 40.6% (compared to 49% at the end of 2008), a level deemed adequate to address expected losses. The lower coverage ratio was influenced by the inclusion of positions with extensive collateral coverage and, in particular, the inclusion among restructured loans of a single position of significant amount deemed fully recoverable following the debt restructuring process.

During the period under review, loans classified as doubtful, net of adjustments, came to 5,365 million euro, up by 1,397 million euro (+35.2%) on an annual basis. They represented 1.4% of total loans, with a coverage ratio of 67%, higher than the average coverage ratio for the Italian banking industry.

Substandard loans amounted to 10,370 million euro, marking an increase of 96% on the end of 2008 due to the addition of numerous new positions with strong collateral coverage. Substandard loans climbed to 2.8% of the total, showing a coverage ratio of 20%.

Restructured loans, totalling 2,293 million euro, showed an increase over the 399 million euro at 31 December 2008 mainly due to the abovementioned new position; their coverage ratio is 4.5%.

Past due loans amounted to 2,417 million euro, increasing by 29.5% and with a coverage ratio of 6%. The increase may be attributed to the new rules for the classification of loans secured by real property introduced by the Bank of Italy in December, under which a loan is identified as past-due when instalments are past due by 90 days, instead of the previous 180 days. This required the inclusion of 922 million euro in gross loans that would have been classified as performing under the previous provisions. Net of this effect, the weight of past due loans would have been less than that reported at the end of 2008.

Cumulated collective adjustments on performing loans came to 0.72% of gross exposure relating to loans to customers, up slightly 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)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	421,944	51.9	422,636	52.5	-692	-0.2
Indirect customer deposits	416,798	51.3	406,948	50.6	9,850	2.4
Netting [(a)]	-25,701	-3.2	-24,888	-3.1	813	3.3
Customer financial assets	**813,041**	**100.0**	**804,696**	**100.0**	**8,345**	**1.0**

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).

As at 31 December 2009, customer financial assets came to 813 billion euro, up 1% on an annual basis due to the positive performance of indirect customer deposits driven by assets under management, while direct customer deposits remained essentially stable.
The change in the asset management aggregate (+5.6%) was positively affected by an improvement in financial market performance in the last nine months of the year that offset the net outflows. Investors continued to redeem mutual funds, especially those with the largest equity components, resulting in significant outflows of funds from the Group and the entire banking industry. However, there were signs of improvement in the second half of the year, when the balance of subscriptions and redemptions of asset management products returned to positive.

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.

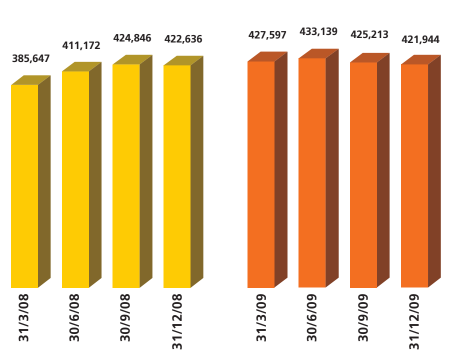
(millions of euro)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	197,632	46.9	194,298	46.1	3,334	1.7
Repurchase agreements and securities lending	7,422	1.8	8,528	2.0	-1,106	-13.0
Bonds	124,955	29.6	119,752	28.3	5,203	4.3
of which designated at fair value [(*)]	*3,225*	*0.8*	*3,878*	*0.9*	*-653*	*-16.8*
Certificates of deposit	25,465	6.0	30,899	7.3	-5,434	-17.6
Subordinated liabilities	22,950	5.4	20,031	4.7	2,919	14.6
Financial liabilities of the insurance business designated at fair value [(*)]	22,662	5.4	21,241	5.0	1,421	6.7
Other deposits	20,858	4.9	27,887	6.6	-7,029	-25.2
of which designated at fair value [(*)]	-	-	-	-	-	-
Direct customer deposits	**421,944**	**100.0**	**422,636**	**100.0**	**-692**	**-0.2**

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.

Quarterly development Direct deposits



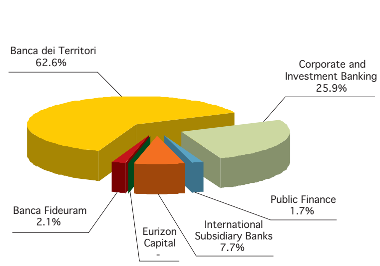
Direct customer deposits amounted to 422 billion euro, essentially unchanged (-0.2%) compared to the end of December 2008. Positive contributions were provided by current accounts and deposits (+1.7%) and bonds (+4.3%), which took on greater importance within the Group’s overall funding scheme: the poor risk appetite of household investors and the brusque cuts in interest rates led investors to favour investments in high-rated bank securities. There was also growth in subordinated liabilities (+14.6%) and the financial liabilities of the insurance business (+6.7%).
Conversely, other deposits decreased (-25.2%) due to the lesser placement of commercial paper, which represents approximately three fourths of the caption, as did certificates of deposit (-17.6%) and repurchase agreements and securities lending (-13%).
At the end of 2009, the Group's share of direct customer deposits on the domestic market (according to the harmonised ECB definition) was 17.8%, down slightly on the figure reported at the end of the previous year owing to the downtrend in the Group’s share of repurchase agreements and deposits, largely offset by the improvement in the Group’s share of bonds.

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	225,489	218,225	7,264	3.3
Corporate and Investment Banking	93,215	83,405	9,810	11.8
Public Finance	6,203	5,205	998	19.2
International Subsidiary Banks	27,583	28,212	-629	-2.2
Eurizon Capital	3	-	3	-
Banca Fideuram	7,502	6,583	919	14.0
Total business areas	**359,995**	**341,630**	**18,365**	**5.4**
Corporate Centre	61,949	81,006	-19,057	-23.5
Intesa Sanpaolo Group	**421,944**	**422,636**	**-692**	**-0.2**

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

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which made up 63% of the total aggregate attributable to the business areas, recorded a 3.3% increase, mainly benefiting from the increase in funding through securities. The Corporate and Investment Banking Division also reported growth (+11.8%), benefiting from expansion in funding through securities, driven by the placement of Banca IMI bonds. Public Finance funding also rose (+19.2%), driven by the increase in cash balances of the current accounts of counterparties; Banca Fideuram's funding rose too (+14%). Conversely, International Subsidiary Banks deposits fell (-2.2%). The decline reported by the Corporate Centre (-23.5%) is chiefly attributable to the reduced placement of commercial paper and to the greater netting resulting from bonds issued by Banca IMI and placed by Group networks.

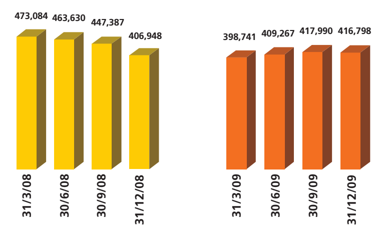
Indirect customer deposits

(millions of euro)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	80,140	19.2	81,975	20.1	-1,835	-2.2
Open-ended pension funds and individual pension plans	3,417	0.8	3,014	0.7	403	13.4
Portfolio management	65,764	15.8	59,254	14.6	6,510	11.0
Life technical reserves and financial liabilities	65,095	15.6	59,785	14.7	5,310	8.9
Relations with institutional customers	11,423	2.8	9,758	2.4	1,665	17.1
Assets under management	**225,839**	**54.2**	**213,786**	**52.5**	**12,053**	**5.6**
Assets under administration and in custody	**190,959**	**45.8**	**193,162**	**47.5**	**-2,203**	**-1.1**
Indirect customer deposits	**416,798**	**100.0**	**406,948**	**100.0**	**9,850**	**2.4**

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

Quarterly development Indirect deposits



As at 31 December 2009, indirect customer deposits amounted to 417 billion euro, up by 9.9 billion euro (+2.4%) compared to 31 December 2008, marking a continuation of the uptrend that began in the second quarter. Figures are net of third-party securities on deposit in connection with the dealings of the securities services business line, which is planned to be sold in the first six months of 2010.

Assets under management, which represent more than half of the total aggregate, reached 226 billion euro (+5.6%), benefiting chiefly from bull capital markets, which resulted in a revaluation of assets under management. Positive contributions came from portfolio management (+11%) and life insurance policies (+8.9%), which offset the downtrend in mutual funds (-2.2%). In the insurance segment, new EurizonVita, Intesa Vita, Sud Polo Vita and Centro Vita Assicurazioni business exceeded 12 billion euro during the year, nearly twice the new business written in 2008.

Assets under administration and in custody decreased slightly (-1.1%) owing to the performance of customer securities in custody, which privileged the subscription of Group bonds.

Financial assets and liabilities

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	69,825	61,060	8,765	14.4
of which derivatives at fair value	*37,805*	*42,282*	*-4,477*	*-10.6*
Financial assets designated at fair value through profit and loss	21,965	19,720	2,245	11.4
Financial assets available for sale	35,895	29,274	6,621	22.6
Investments held to maturity	4,561	5,572	-1,011	-18.1
Total financial assets	**132,246**	**115,626**	**16,620**	**14.4**
Financial liabilities held for trading	**42,249**	**45,845**	**-3,596**	**-7.8**
of which derivatives at fair value	*-39,848*	*-44,085*	*-4,237*	*-9.6*

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

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 and certain bond issues designated at fair value, are not represented as these are included in the direct deposits aggregate.
In detail, financial assets held for trading increased from 61 billion euro to 70 billion euro due to an increase in the Parent company's investments aimed at temporarily investing liquidity in government bonds instead of loans on the interbank market.
Approximately one half of financial assets available for sale are attributable to the Group's insurance companies. The increase during the year is primarily to be ascribed to the companies in the insurance segment and Banca IMI. The increase reported by Banca IMI is due to the securities acquired as part of the strategy of establishing a bond portfolio with a medium-/long-term investment horizon, aimed at maximising the bank's capital soundness in terms of profitability.
Financial assets designated at fair value through profit and loss increased (+11.4%), whereas investments held to maturity decreased (-18.1%).

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

(millions of euro)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	41,749	84.3	28,660	81.9	13,089	45.7
of which designated at fair value	*11,377*	*23.0*	*12,112*	*34.7*	*-735*	*-6.1*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	12,201	24.6	9,816	28.1	2,385	24.3
of which designated at fair value	*10,553*	*21.3*	*7,586*	*21.7*	*2,967*	*39.1*
Other assets designated at fair value through profit and loss	35	0.1	22	0.1	13	59.1
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**53,985**	**109.0**	**38,498**	**110.1**	**15,487**	**40.2**
Financial liabilities held for trading	**-2,401**	**-4.8**	**-1,760**	**-5.0**	**641**	**36.4**
Net value of financial derivatives	-1,710	-3.5	-1,199	-3.4	511	42.6
Net value of credit derivatives	-333	-0.7	-604	-1.7	-271	-44.9
Net value of trading derivatives	**-2,043**	**-4.2**	**-1,803**	**-5.1**	**240**	**13.3**
Financial assets / liabilities, net	**49,541**	**100.0**	**34,935**	**100.0**	**14,606**	**41.8**

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

Financial assets held for trading, net of the related liabilities, and financial assets designated at fair value through profit and loss amounted to approximately 50 billion euro, up 41.8% compared to the end of 2008. This increase, as already pointed out, was affected by the previously mentioned reclassification of approximately 4 billion euro in debt securities to Loans to customers. For the sake of completeness, please note that liabilities designated at fair value have been included in the aggregate of direct customer deposits.
In further detail, this growth is a consequence of an expansion of the stock of bonds, which more than offset the rise in financial liabilities held for trading, including short selling, and the increase in the negative net value of financial and trading derivatives contracts.

Financial assets available for sale

(millions of euro)

	31.12.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	31,322	87.3	25,413	86.9	5,909	23.3
Equities and quotas of UCI	4,497	12.5	3,643	12.4	854	23.4
Securities available for sale	**35,819**	**99.8**	**29,056**	**99.3**	**6,763**	**23.3**
Loans available for sale	**76**	**0.2**	**218**	**0.7**	**-142**	**-65.1**
Financial assets available for sale	**35,895**	**100.0**	**29,274**	**100.0**	**6,621**	**22.6**

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

Financial assets available for sale came to 36 billion euro, up 22.6% from 31 December 2008. Similarly to the previous caption, the decline is mostly attributable to the reclassification of over 6 billion euro of assets from available for sale to loans.
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

At the end of 2009, net interbank position, which no longer included the position associated with the securities services business line, held for sale, was essentially unchanged, in accordance with the Group's policy of privileging its liquidity profile. The trend during the year reflects the favourable liquidity position in relations with customers and the need to maintain a balance between adequate liquidity and profitability objectives.

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

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	339	-339	
Property and equipment	4	3	1	33.3
Other	-	-	-	-
Individual assets	**4**	**342**	**-338**	**-98.8**
Discontinued operations	**6,548**	**9,869**	**-3,321**	**-33.7**
of which: loans to customers	*588*	*1,407*	*-819*	*-58.2*
Liabilities associated with non-current assets held for sale and discontinued operations	**-9,723**	**-11,897**	**-2,174**	**-18.3**
Non-current assets held for sale and discontinued operations and related liabilities	**-3,171**	**-1,686**	**1,485**	**88.1**

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 December 2009, the caption included the assets and liabilities of the securities services business unit, which will be sold in 2010. The assets of Cassa di Risparmio di Orvieto and several Intesa Sanpaolo Group branches in the provinces of Pistoia and La Spezia are no longer included in the caption inasmuch as they were sold in March 2009.

Shareholders' equity

As at 31 December 2009, the Group's shareholders' equity, including net income for the period, came to 52,681 million euro compared to the 48,954 million euro at the end of the previous year. The change in shareholders' equity is primarily due to the performance of reserves, related to the choice of enhancing the Group's equity instead of distributing 2008 profits, without prejudice to the distribution to savings shares of a dividend of 5% of their nominal value, for a total of 24 million euro, as required by the Articles of Association. No changes in share capital occurred in the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2008	Change in the period	Valuation reserves as at 31.12.2009	
				% breakdown
Financial assets available for sale	-1,287	1,152	-135	31.4
Property and equipment	-	-	-	-
Cash flow hedges	-413	-38	-451	104.9
Legally-required revaluations	343	-	343	-79.8
Other	-55	-132	-187	43.5
Valuation reserves	**-1,412**	**982**	**-430**	**100.0**

As at 31 December 2009, the Group’s valuation reserves showed a negative balance of 430 million euro. The change during the period, up 982 million from the negative balance of 1,412 million euro at the end of 2008, is attributable to the increase in the value of financial assets available for sale, in particular debt securities. Conversely, decreases were recorded by other reserves (-132 million euro) and cash flow hedges (-38 million euro), while legally-required revaluations remained unchanged.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	31.12.2009	31.12.2008
Regulatory capital		
Tier 1 capital	30,205	27,074
of which: preferred shares	*4,499*	*2,998*
Tier 2 capital	15,472	14,748
Minus items to be deducted	-2,923	-2,774
REGULATORY CAPITAL	**42,754**	**39,048**
Tier 3 subordinated loans	-	30
TOTAL REGULATORY CAPITAL	**42,754**	**39,078**
Risk-weighted assets		
Credit and counterparty risks	316,258	335,556
Market risks	16,804	18,046
Operational risks	28,113	29,080
Other risks	473	390
RISK-WEIGHTED ASSETS	**361,648**	**383,072**
Capital ratios %		
Core Tier 1 ratio	7.1	6.3
Tier 1 ratio	8.4	7.1
Total capital ratio	11.8	10.2

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 as such continue to be deducted from total capital.

At the end of 2009, total regulatory capital came to 42,754 million euro, compared to risk-weighted assets of 361,648 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
Regulatory capital takes into account the dividend distribution on the 2009 net income that the Management Board will propose to the Shareholders’ Meeting, i.e. 0.091 euro per savings share and 0.080 euro per ordinary share, for a total dividend disbursement of 1,033 million euro.
All capital ratios improved compared to 31 December 2008. The Total capital ratio stood at 11.8%, while the Group’s Tier 1 ratio was 8.4%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.1%.

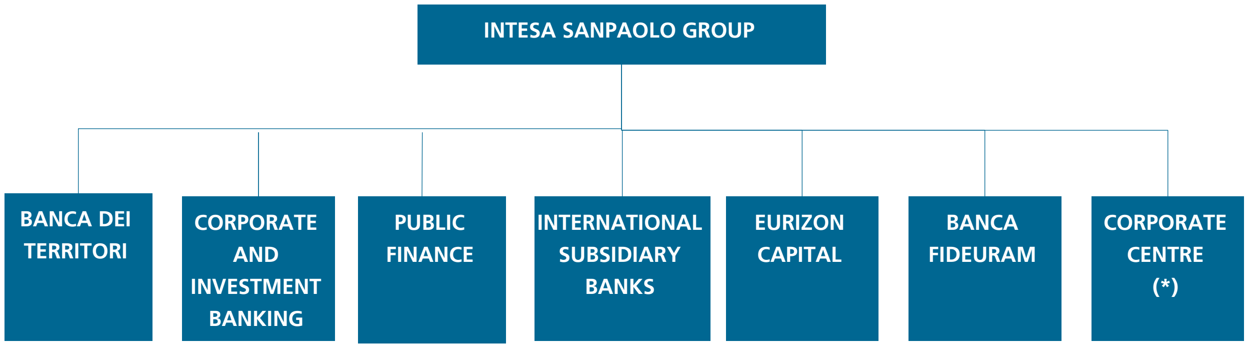
Reconciliation of the Parent company's shareholders' equity and net income with consolidated shareholders' equity and net income

(millions of euro)

	Shareholders' equity	*of which net income as at 31.12.2009*
Parent Company's balances as at 31 December 2009	**47,785**	***1,843***
Effect of consolidation of subsidiaries subject to control	3,772	*2,747*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	144	*21*
Elimination of adjustments to equity investments ed impairment of goodwill	1,093	*156*
Dividends collected during the period	-	*-1,880*
Other	-113	*-82*
Consolidated balances as at 31 December 2009	**52,681**	***2,805***

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 (known as the "management approach") and is thus 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 and in their regulatory context.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2009.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the year; it also illustrates income statement figures, the main balance sheet figures as well as the most significant profitability ratios.
Allocated capital and, consequently, EVA® (Economic Value Added) were determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulatory provisions.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
2009	10,418	3,551	398	2,215	323	611	-36	17,480
2008	12,017	2,138	353	2,288	360	621	64	17,841
% change [(a)]	-13.3	66.1	12.7	-3.2	-10.3	-1.6		-2.0
Operating costs								
2009	-6,116	-852	-81	-1,137	-138	-328	-807	-9,459
2008	-6,382	-865	-80	-1,226	-146	-327	-825	-9,851
% change [(a)]	-4.2	-1.5	1.3	-7.3	-5.5	0.3	-2.2	-4.0
Operating margin								
2009	4,302	2,699	317	1,078	185	283	-843	8,021
2008	5,635	1,273	273	1,062	214	294	-761	7,990
% change [(a)]	-23.7		16.1	1.5	-13.6	-3.7	10.8	0.4
Net income								
2009	1,212	1,273	116	364	95	93	-348	2,805
2008	1,359	208	59	187	-205	-720	1,665	2,553
% change [(a)]	-10.8		96.6	94.7				9.9
Loans to customers								
31.12.2009	184,561	101,527	40,890	29,511	171	1,982	15,391	374,033
31.12.2008	192,950	112,435	38,830	29,847	-	1,802	18,808	394,672
% change [(b)]	-4.3	-9.7	5.3	-1.1	-	10.0	-18.2	-5.2
Direct customer deposits								
31.12.2009	225,489	93,215	6,203	27,583	3	7,502	61,949	421,944
31.12.2008	218,225	83,405	5,205	28,212	-	6,583	81,006	422,636
% change [(b)]	3.3	11.8	19.2	-2.2	-	14.0	-23.5	-0.2

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 2009 and 2008.

[(b)] The change expresses the ratio between 31.12.2009 and 31.12.2008.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes	
			amount	%
Net interest income	6,466	7,633	-1,167	-15.3
Dividends and profits (losses) on investments carried at equity	103	72	31	43.1
Net fee and commission income	3,254	3,737	-483	-12.9
Profits (Losses) on trading	105	106	-1	-0.9
Income from insurance business	439	395	44	11.1
Other operating income (expenses)	51	74	-23	-31.1
Operating income	**10,418**	**12,017**	**-1,599**	**-13.3**
Personnel expenses	-3,466	-3,599	-133	-3.7
Other administrative expenses	-2,587	-2,719	-132	-4.9
Adjustments to property, equipment and intangible assets	-63	-64	-1	-1.6
Operating costs	**-6,116**	**-6,382**	**-266**	**-4.2**
Operating margin	**4,302**	**5,635**	**-1,333**	**-23.7**
Goodwill impairment	-3	-9	-6	-66.7
Net provisions for risks and charges	-100	-109	-9	-8.3
Net adjustments to loans	-2,004	-1,593	411	25.8
Net impairment losses on other assets	-70	-148	-78	-52.7
Profits (Losses) on investments held to maturity and on other investments	421	-	421	-
Income (Loss) before tax from continuing operations	**2,546**	**3,776**	**-1,230**	**-32.6**
Taxes on income from continuing operations	-892	-1,430	-538	-37.6
Merger and restructuring-related charges (net of tax)	-175	-469	-294	-62.7
Effect of purchase price allocation (net of tax)	-257	-507	-250	-49.3
Income (Loss) after tax from discontinued operations	52	30	22	73.3
Minority interests	-62	-41	21	51.2
Net income	**1,212**	**1,359**	**-147**	**-10.8**
Allocated capital	10,088	10,327	-239	-2.3
Profitability ratios (%)				
Cost / Income ratio	58.7	53.1	5.6	10.5
ROE	12.0	13.2	-1.1	-8.7
EVA® (millions of euro)	758	1,530	-772	-50.5

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Loans to customers	184,561	192,950	-8,389	-4.3
Direct customer deposits	225,489	218,225	7,264	3.3
of which: due to customers	*140,701*	*140,068*	*633*	*0.5*
securities issued	*62,126*	*56,916*	*5,210*	*9.2*
financial liabilities designated at fair value through profit and loss	*22,662*	*21,241*	*1,421*	*6.7*
Indirect customer deposits	248,376	253,263	-4,887	-1.9

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

Banca dei Territori closed 2009 with an operating income of 10,418 million euro, amounting to 60% of the Group's consolidated operating income, down on the previous year (-13.3%). There was a fall in net interest income (-15.3%), mainly deriving from the decrease in revenues from customer deposits following the drop in market rates, which was reflected in a lower mark-down. Net interest income was also penalised by the elimination of overdraft charges. Net fee and commission income (-12.9%) was affected by the negative performance of asset management, due to the outflow from mutual funds and individual portfolio management schemes, and by reduced placement of products with up-front fees. Among other income components, income from insurance business (+11.1%) and profits on investments carried at equity showed increases. Operating costs were down 4.2%. The operating margin amounted to 4,302 million euro, down on 2008 (-23.7%). Income before tax from continuing operations totalled 2,546 million euro, down 32.6%. This result was mainly due to considerable increase in net adjustments to loans (+25.8%) attributable to the gradual deterioration of the economic situation, the effects of which also continued throughout 2009. After the allocation to the Division of merger and restructuring-related charges of 175 million euro and the economic effects of purchase price allocation of 257 million euro, net income was 1,212 million euro, down 10.8%.

At the quarterly level, the fourth quarter saw a strong revenue performance attributable to net fee and commission income and income from the insurance business.

The Division absorbed 44.5% of Group capital, slightly up from the level of the previous year. In absolute terms, capital came to 10,088 million euro and was down, owing mainly to the retail segment following the containment of assets at risk associated with a decrease in loans. As a result of the trend described for allocated capital and net income, ROE fell to 12% from 13.2% in 2008. Value creation came to 758 million euro, down on the previous year.

Balance sheet figures at the end of December 2009 showed loans to customers of 184,561 million euro (-4.3% compared to December 2008) due to a decrease in short-term loans, with stability in medium-/long-term loans. Direct customer deposits, on the other hand, totalled 225,489 million euro, increasing (+3.3%) since 31 December 2008, benefiting in particular from the growth in funding through securities. Indirect deposits amounted to 248,376 million euro, down 1.9% on the end of December 2008, owing to the reduction in assets under administration, which more than offset the growth in assets under management attributable to life-insurance policies.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve retail customers (households, personal, small businesses), small and medium enterprises and "private" customers, creating value through: o widespread local coverage o a focus on the specific qualities of local markets o exploitation of the brands of banks and companies specialised in medium-term lending and consumer credit that report to the Business Unit
Organisational structure	
Retail Marketing Department	Handles the Households (individual customers with financial assets under 100,000 euro), Personal (individual customers with financial assets of 100,000 euro - 1 million euro) and Small Businesses segments (family businesses and small enterprises with a turnover under 2.5 million euro and loan facilities under 1 million euro)
Business Marketing Department	Manages companies with turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro
Banks not assigned to divisions and product companies (*)	(*) Specialised in medium-term credit (Mediocredito Italiano), the consumer credit and e-money segment (Moneta, formerly CFS, which absorbed Setefi, specialised in the management of electronic payments) and trust services
Banca Prossima	Serving non-profit organisations
Insurance/pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Over 5,800 branches, including retail, business and private-banking branches, distributed broadly throughout Italy

Following approval in December 2008 of the reinforcement project for the Banca dei Territori Division, which aims to improve commercial efficiency in the areas covered and to relaunch marketing for the development of new products and services, at the same time maintaining adequate cost control, the territorial structure is divided into 8 Regional Governance Centres to coordinate 22 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.

During 2009, the scope of Banca dei Territori was reorganised in geographical terms: in late February, the Intesa Sanpaolo branches located in the region of Emilia Romagna were transferred to Cassa di Risparmio in Bologna and Cassa dei Risparmi di Forlì e della Romagna; in March, the branches of Banca CIS and Intesa Sanpaolo in Sardegna were concentrated into a single banking firm, leading to the creation of Banca di Credito Sardo; in late July, the Intesa Sanpaolo branches located on the Adriatic coast and Friuli were transferred to Banca dell'Adriatico and Cassa di Risparmio del Friuli Venezia Giulia; in September, the Parent company's branches in Venezia and Trentino Alto Adige were transferred to Banca di Trento e Bolzano and Cassa di Risparmio di Venezia.

Retail Marketing Department

The Retail Marketing Department focuses on improving service quality, constantly attending to customers' needs, and simplifying and innovating the range of products and services.

Investment

The offering of investment products has been expanded to include solutions that fit the current market scenario and customers' needs for financial products that provide capital protection. In particular, the following were launched:
- the "Fondo Formula Azioni", which is intended for customers who want capital protection at maturity but also aim to seize European equity market growth opportunities and reduce market timing risk through gradual entry into the market;
- the "Eurizon Meta Giovani" Investment Plan, aimed at young people aged between 18 to 35, conceived to meet long-term savings requirements by optimising investment in financial markets according to the duration of the plan (which may vary from 5 to 30 years);
- the new "GP Misurata" line of portfolio management services aimed at customers with liquidity/money-market investments who wish to obtain higher returns than those expected for the reference market with a moderate increase in risk level/holding period;
- the new class-I policy "Valore Garanzia", which allows portfolio diversification while protecting capital from fluctuations in the financial markets and benefiting from guaranteed minimum annual appreciation;
- "Crescita Mercati Azionari", a bond linked to a basket of five geographical equity indices, which allows investors to benefit from bull markets in the event of economic recovery, but also guarantees that capital will be returned at maturity in case of negative market performance;
- "Tasso Variabile con Tasso Minimo e Massimo 2016", a floating-rate bond that guarantees the return of capital at maturity and variable appreciation linked to money-market rates.

In order to strengthen the asset management service offered to customers, Banca dei Territori and Eurizon Capital have launched a new team of asset management specialists serving the branches, to improve consulting and assistance in all phases of capital management, from allocation to the subsequent monitoring of investments.

Cards

Regarding credit and debit cards, 2009 saw the introduction of SuperFlash, the new prepaid, personal and rechargeable card dedicated to young people with basic requirements approaching the banking world for the first time. SuperFlash combines the specific functions of credit and debit cards with typical current account services and can be used without having a current account or visiting the branch, through the internet, ATMs or latest generation cell phones. By using the new salary deposit service "Pagamenti su carte prepagate", companies and entities can pay sums due to employees and other staff even if they do not have current accounts and without using traditional channels (such as cash, cheques or bank transfers). At year-end, the SuperFlash line was completed by the addition of a version for use by legal entities, particularly well suited to small businesses and the self-employed.

Loans

In order to offer a material support to households in financial difficulty due to the delayed payment of salary integrations (CIGS or exceptional CIGS, state assisted temporary unemployment), the "Anticipazione Sociale" service was launched, envisaging a credit line with gradual release and with highly preferential economic conditions, usable up to the moment that the salary integration, including back-pay, is credited to the account by the social security authority, and a zero-cost current account linked to the credit line. In June, two important initiatives were launched to support households in terms of mortgages and personal loans: Domus Fisso and Prestito Multiplo. Intesa Sanpaolo also launched initiatives in support of the people and small and medium enterprises affected by the earthquake in Abruzzo by preparing loan packages under favourable conditions.

In order to allow small and very small business customers to survive the difficult economic scenario, product innovation focused on four areas of action, consistent with the needs expressed by businesses:
- working-capital support: instruments have been created for funding the payment of taxes and additional monthly instalments ("Finanziamento Gestione Business"), the acquisition of inventory and the restoration of company liquidity ("Finanziamento Liquidità Business") and advances on POS transactions. Other credit solutions include the "Crediti Commerciali.BIZ" policy against the risk of default on trade receivables and the short-term due dates extension initiative, consistent with the provisions of the Italian Banking Association Understanding;
- flexibility of financing: "Restart Mutuo", "Finanziamento Extendi Mutuo" and "Finanziamento Riequilibrio Business" allow customers flexible management of loans being repaid through further loans, rescheduling and repositioning of short-term exposures to medium-/long-term. In addition, there is the commitment under the Italian Banking Association Understanding to agree to defer collection of principal for a maximum of 12 months;
- business development: "Finanziamento Investimenti Business", also available in a version with periodic disbursements and a version for agri-businesses, it provides support for all sorts of investment relating to economic activity;

Loans

- recapitalisation: companies that undertake recapitalisation processes may enjoy access to a medium-/long-term loan proportional to the equity contributed ("Finanziamento Ricap Business").

Lastly, great attention has been devoted to developing relationships with guarantee syndicates, which represent an important link in the chain that binds the banking industry to the business sector and which have taken on a primary role in mitigating risk in light of recent provisions of law.

Agreements

During 2009, the Group signed master agreements with all major trade associations, under which it undertook to issue loans of up to a total of 7 billion euro. In particular:

- under the agreement with Confcommercio, the Bank will provide member companies with loans of up to 3 billion euro;
- the agreement with Confartigianato, Cna and Casartigiani calls for a maximum of 3 billion euro in loans for industry firms;
- the agreement with Confagricoltura provides access to a maximum of 1 billion euro to be allocated to member agri-business firms.

The purpose of these agreements is to support small enterprises by ensuring that they have access to the liquidity that they require to meet their cash flow needs, guaranteeing flexible financing and fostering recapitalisation programmes and new projects. All of the agreements that the Bank has signed draw attention to the solutions offered by the debt moratorium promoted by the Italian Banking Association and the Italian government (deferral of instalments and postponement of the maturities of short-term loans by 270 days), in which all Group banks have participated, as well as to the application of Credit Guarantee Consortia (Confidi) and the effective use of guarantee instruments.

Lastly, the bank has implemented an important initiative supporting the tourism industry, which involves Small Business customers as well as SMEs, providing a credit line of 600 million euro in order to facilitate access to credit. This initiative is part of the "Italia & Turismo" project envisaged by the agreement signed by the Ministry of Tourism with national trade associations of the sector and with the banks.

Business Marketing Department

In confirming its commitment to "Grow together with enterprises", in 2009 the Business Marketing Department focused on negotiating agreements with trade associations at national and local level and taking steps to remodel and develop activities undertaken in collaboration with Confidi. In particular, activity focused on the effort to maintain the Bank's close ties to businesses committed to dealing with the current phase of the economic cycle.

Recapitalisation

In terms of recapitalisation of companies, the bank has designed "Ricap Pmi", a line dedicated to medium-/long-term lending and that comprises "Ricap Moltiplica", which can be granted in an amount of up to four times the capital increase carried out by the company and with a maximum term of 10 years, and "Ricap Crescita Programmata", which can be disbursed in advance of the company's recapitalisation plan in an amount equal to one to two times the extent of the strengthening, with a term of between 3 and 5 years. The line devoted to businesses is rounded out by the product "Ricap Prestito Soci", which allows shareholders to give immediate effect to business recapitalisation plans.

Agreements

Under the agreement with Confindustria Piccola Industria, which promotes a series of measures aimed at maintaining the flow of credit to the production system through corporate liquidity and capitalisation initiatives, Intesa Sanpaolo provides small and medium Italian enterprises with lines of credit of up to 5 billion euro. In early August, the Italian government, Italian Banking Association (ABI) and trade associations signed an agreement entitled "Understanding concerning the suspension of debt owed by SMEs to the financial system", which calls for: the deferral by 12 months of the payment of the principal component of instalments of medium-/long-term loans through the shifting and extension of the repayment plan by one year; the deferral of payment of the principal component of financial leases by 12 months (real property) or 6 months (movable property); the extension to 270 days of short-term advances on certain and collectible receivables; and measures aimed at reinforcing the balance sheets of SMEs, involving in particular loans equal to a multiple of the share capital increase paid in by shareholders.
Intesa Sanpaolo has also signed the agreement between ABI and Cassa Depositi e Prestiti, governing the banking industry's new financing conditions for small and medium enterprises drawing on funds provided by Cassa Depositi e Prestiti.
Lastly, the year also witnessed partnership agreements with convention groups throughout Italy (such as the Fiera Milano Group, Lingotto Fiere of Torino, the Pitti Immagine Group of Firenze and Ente Pordenone) with the aim of fostering access to credit by companies that participate in trade fair and convention events organised by individual entities.

Agriventure

In February 'Agriventure' was created, the new competence centre for the development of products and financial services for the agrifood sector and the promotion of the most innovative enterprise projects in the supply chain. Agriventure will develop its activities mainly along three lines: research, analysis and processing of innovative technical solutions in support of business development projects in the sector; specialist support to the branch network and all departments of the Group; coordination between businesses and institutions, providing support in identifying the most appropriate legal, corporate and financial instruments.

Intesa Sanpaolo Private Banking

The private banking units of the Group's network banks were concentrated within Intesa Sanpaolo Private Banking in 2009.
Marketing activity focused on the extensive placement of Group bonds. In addition, Banca IMI certificates were offered with different types of underlying asset class and with capital secured or protected on maturity. Lastly, UCI and portfolio management schemes were also placed.
The year saw the continuation of initiatives aimed at exploiting new potential business opportunities, in particular the development of synergies with enterprises ("Imprese – Banca Private" project) and with the corporate sector ("Modello di Business Integrato Private e Corporate" project). The third tax amnesty represented an important opportunity to gather new assets and expand the share of wallet of existing customers. Intesa Sanpaolo Private Banking reported intermediated values of approximately 4 billion euro, 80% of which took the form of effective repatriation to Italy. The new assets consist primarily of liquidity originating outside of the Group.

Banks not assigned to divisions and Product companies

The banks of the Banca CR Firenze group, including Casse del Centro, following the acquisition of the latter in late December 2008, have not been assigned to divisions, but rather are represented according to their legal nature within the scope of Banca dei Territori.
During 2009, information technology systems were migrated to the target platform at the banks of the former Banca CR Firenze Group (Banca CR Firenze, CR Pistoia, CR Spezia and CR Civitavecchia) and Casse del Centro (Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Foligno, Cassa di Risparmio di Spoleto, Cassa di Risparmio di Terni e Narni, Cassa di Risparmio di Rieti, Cassa di Risparmio della Provincia di Viterbo and Cassa di Risparmio di Ascoli Piceno).
In 2009 the Banca CR Firenze Group, considered to include the Casse del Centro banks, reported income before tax from continuing operations of 517 million euro. This result includes the positive effect of 420 million euro on the income statement caused by the sale of the first tranche of Findomestic Banca shares to BNP Paribas. Excluding this capital gain, income before tax from continuing operations was 97 million euro, down 75% compared to the previous year, owing to the decline in revenues, in particular net interest income, which was penalised by the decrease in mark-down, as well as the significant increase in adjustments to loans correlated with the phase of the economic cycle.

During 2009, Mediocredito Italiano granted 2.6 billion euro in loans, marking an increase of 18.9% over the previous year. The bank continued to enjoy operational dealings with the EIB – European Investment Bank, culminating in four new agreements for lines of credit to support investments in innovation and research by small and medium enterprises at favourable rates compared to market conditions in a maximum total amount of 550 million euro. These funds are also available to other Group entities. The bank also continued to disburse funds related to Nova+, the product dedicated to supporting businesses with their research, development and innovation projects. Projects calling for over 700 million euro were evaluated, resulting in funding applications of 551 million euro (over 300 transactions). Of these, 317 million euro had already been approved and disbursed at the end of 2009.
Mediocredito Italiano recorded an operating margin of 225 million euro during 2009, of which 57 million euro in dividends received from Leasint, its subsidiary until December 2009. Operating margin improved on 2008 even net of this contribution (+15.3%) owing to the growth of operating income, primarily associated with interest margin.

Consumer credit activities are carried out through Moneta (formerly CFS). A total of 1.7 billion euro was disbursed in 2009, down by 4.5% on 2008. The Credit Cards and Assignment of One-Fifth of Pension/Salary segments reported an increase in volumes of 5.9% and 12.8%, respectively, whereas Personal Loans were down 8%. The operating margin for Moneta during 2009 amounted to 107 million euro, of which approximately 54 million euro in dividends received from Setefi; net of this component, which was not present in 2008, the operating margin amounted to 53 million euro, compared to 30 million euro for the previous year.
Setefi, which specialises in managing electronic payment systems and is wholly owned by Moneta, recorded a 29.1% increase in the operating margin net of non-recurring components in 2009, linked to the increase in operations in terms of credit card issues, transaction volumes and POS installed.

SIREFID, which specialises in trust services for business leaders and investors, operated under its new organisational and operational structure in 2009, following its spin-off from Sanpaolo Fiduciaria. As at 31 December 2009, the company had assets under administration of 9.5 billion euro, corresponding to over 22,000 mandates.

Banca Prossima

During 2009, Banca Prossima, which operates in the non-profit sector with 52 local branches and 115 specialists distributed across the country, continued to acquire new customers. In order to further reinforce its role as the bank of reference for non-profits, in 2009 it created new products, services and initiatives devoted exclusively to the sector. Within the agreement between the Italian Banking Association and Italian Episcopal Conference entitled "Prestito della Speranza", Banca Prossima has been designated the custodian bank for the guarantee fund established by the Italian Episcopal Conference to disburse micro-loans to households in financial difficulty.

Insurance and pension companies

In 2009 a project was approved to rationalise the Group's bancassurance activities. This project will lead to the creation of a single company to serve the Group's banking networks and a life insurance company to serve Banca Fideuram's financial advisors. Following the unwinding of the joint ventures with Generali and Cardif, Intesa Sanpaolo will have full control of the four current insurance companies (Intesa Vita, EurizonVita, Centrovita Assicurazioni and Sud Polo Vita).
In 2009 EurizonVita reported income before tax from continuing operations of 168 million euro, up by 7.6% compared to the previous year owing to lesser adjustments to financial assets available for sale, which more than offset the negative technical management performance. The investment portfolio amounted to 39,360 million euro, while the insurance policies portfolio amounted to 37,891 million euro, including 21,085 million euro from financial unit- and index-linked policies. In 2009, EurizonVita recorded gross life and non-life premiums written (for both insurance products and policies

with investment content) of 6,264 million euro, up 42.2% on 2008. A total of 5,492 million euro in new life insurance policies (including pension policies) was written (+57.8% on the previous year).
Sud Polo Vita reported income before tax from continuing operations of 31 million euro, compared to a loss of 8 million euro in 2008, owing to the sharp rise in income from the insurance business attributable to the increase in net insurance premiums and the improvement in financial management, as well as to the reduction in impairment losses on other assets associated with the impairment of securities classified as available for sale.
Centrovita Assicurazioni earned income before tax from continuing operations of 33 million euro, up sharply on the previous year, when it had posted a loss, owing to the strong performance of its insurance business, driven by the growth of net insurance premiums and positive financial management.
Intesa Vita (consolidated according to the equity method) provided a contribution to the consolidated income statement of 41 million euro, marking a significant improvement owing to the growth of new insurance business and the improvement in financial management.
The value of the assets under management by Intesa Previdenza came to 1,815 million euro as at 31 December 2009, up by 5.7% on an annual basis, despite the elimination of the closed-ended pension fund of Cariparma and FriulAdria. Overall, year net inflows were positive in 2009 owing to the contribution of open-ended funds. In 2009, Intesa Previdenza acquired mandates for administrative management of the pension products of EurizonVita and Banca CR Firenze.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes	
			amount	%
Net interest income	2,010	1,474	536	36.4
Dividends and profits (losses) on investments carried at equity	-52	12	-64	
Net fee and commission income	930	754	176	23.3
Profits (Losses) on trading	624	-147	771	
Income from insurance business	-	-	-	-
Other operating income (expenses)	39	45	-6	-13.3
Operating income	**3,551**	**2,138**	**1,413**	**66.1**
Personnel expenses	-373	-345	28	8.1
Other administrative expenses	-471	-511	-40	-7.8
Adjustments to property, equipment and intangible assets	-8	-9	-1	-11.1
Operating costs	**-852**	**-865**	**-13**	**-1.5**
Operating margin	**2,699**	**1,273**	**1,426**	
Goodwill impairment	-2	-2	-	-
Net provisions for risks and charges	-6	-11	-5	-45.5
Net adjustments to loans	-932	-446	486	
Net impairment losses on other assets	-61	-47	14	29.8
Profits (Losses) on investments held to maturity and on other investments	72	-241	313	
Income (Loss) before tax from continuing operations	**1,770**	**526**	**1,244**	
Taxes on income from continuing operations	-485	-282	203	72.0
Merger and restructuring-related charges (net of tax)	-12	-39	-27	-69.2
Effect of purchase price allocation (net of tax)	-	3	-3	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**1,273**	**208**	**1,065**	
Allocated capital	7,807	8,244	-437	-5.3
Profitability ratios (%)				
Cost / Income ratio	24.0	40.5	-16.5	-40.7
ROE	16.3	2.5	13.8	
EVA® (millions of euro)	508	-505	1,013	

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Loans to customers	101,527	112,435	-10,908	-9.7
Direct customer deposits	93,215	83,405	9,810	11.8
of which: due to customers	*30,022*	*29,379*	*643*	*2.2*
securities issued	*59,968*	*50,148*	*9,820*	*19.6*
financial liabilities designated at fair value through profit and loss	*3,225*	*3,878*	*-653*	*-16.8*

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

The Corporate and Investment Banking Division closed 2009 with an operating income of 3,551 million euro (20% of the Group's consolidated figure), up 66.1% on 2008 owing to the strong performance of the major revenue captions. Net interest income reached 2,010 million euro, demonstrating significant growth (+36.4%) in a difficult market characterised by high-level competition. The positive performance was driven by the increase in average loan volumes (+1.7%) and the increased mark-up, due to the effects of re-pricing policies on loans in relation to higher risk generated since the end of 2008. Net fee and commission income of 930 million euro increased by 23.3%, mainly due to the investment banking segment and, in particular, to the primary market (equity and debt capital markets) and to extraordinary business transactions in the large corporate segment. Profits on trading amounted to 624 million euro, up 771 million euro on 2008 due to effective management of the proprietary portfolio and operations in the fixed-income and capital markets credit segments, which succeeded in exploiting market opportunities on a highly volatile market. Operating costs amounted to

852 million euro, down slightly (-1.5%) compared to 2008. As a result of this trend in revenues and costs, the operating margin came to 2,699 million euro, more than double the figure for the previous year. Net adjustments to loans exceeded the corresponding figure for 2008 (+486 million euro) due to the deterioration of loan positions strictly related to systemic trends. Income before tax from continuing operations amounted to 1,770 million euro, compared to 526 million euro in the previous year. Lastly, net income recorded a similar result, 1,273 million euro, up significantly (+1,065 million euro) compared to 2008.
At the quarterly level, the fourth quarter saw a decrease in operating income compared to the third quarter, following the decline in profits on trading due to lesser market volatility and, to a lesser extent, the decrease in net interest income. Conversely, net fee and commission income performed well, remaining stable compared to the third quarter. Income before tax from continuing operations and net income declined, penalised by an increase in operating costs owing in particular to the seasonal nature of the end of the year and rising adjustments in line with expectations.
The Division absorbed 34% of the Group's capital, a level essentially stable compared to 2008. In absolute terms, capital decrease, owing in particular to lesser credit risks associated with the decline in on-balance sheet loans to large and international corporate borrowers (Italy and international) and with a better rebalancing of the loan portfolio. Conversely, market risks increased slightly. The sector performance is reflected in the sharp increase in ROE from 2.5% to 16.3%. EVA® came to 508 million euro, up significantly on 2008.
The cost/income ratio of 24% represents a 16.5 percentage point improvement compared to 2008.
The Division's intermediated volumes remained essentially stable compared to the end of December 2008 (-0.6%). This development was due to the strong performance of funding (+11.8%), which benefited from the increase in securities transactions, particularly as a result of the placement of Banca IMI bonds. Conversely, loans to customers were down (-9.7%), penalised by the decline in disbursements to large and international corporate customers, as well as to a reduction in Banca IMI's repurchase agreements with institutions and financial intermediaries.

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 and International Corporate	The unit is charged with managing relationships with Italian and international large corporate customers (large groups)
Mid Corporate Italy	The Department is responsible for handing companies with turnover in excess of 150 million euro
Global Services	The Department is responsible for international branches, representational 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
Financial Institutions	The Department is responsible for relations with Italian and foreign financial institutions, management of transactional services related to payment systems, custody and settlement of securities as custodian and correspondent bank
Merchant Banking	The Department operates in the private-equity segment, also through its subsidiaries
Structured Finance	It is responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring and leasing activities are overseen by Mediofactoring and Leasint
Distribution structure	The Division draws on 55 domestic branches and operates at the international level, the Corporate and Investment Banking Division operates in 34 countries in support of the cross-border operations of its customers through a specialised network of branches, representational offices and subsidiaries that engage in corporate banking activity

Large and International Corporate and Mid-Corporate Italy

During 2009, the composition of the corporate portfolio changed slightly, showing a tendency to favour long-term investments. The increase in loans to customers with the highest ratings slowed, due to the deterioration of the risk profile of counterparties. Initiatives were implemented to monitor counterparties with the highest credit risk, through a risk-based pricing model. The balanced loan development policy allowed for a considerable increase in share of wallet, with particularly strong performances in the Large Foreign Multinationals segment. The current economic situation has influenced structured finance and investment banking transactions: in 2009, approximately 60 mid-corporate transactions were undertaken, compared to 75 in 2008. On the topic of the service model, large units were linked to back-office hubs and the roll-out of the first five hubs was completed in order to foster greater focus on dedicated marketing and lending operations by large-corporate managers. In addition, with a view towards greater coordination of operating methods in the large-corporate segment and identification of a shared marketing approach, a position has been created to coordinate all Local Relationship Managers (LRMs) throughout Italy.

Global Services

The Global Services Department directly covers 34 countries through 16 wholesale branches, 21 representative offices, 3 subsidiary banks and one advisory firm. In 2009, international coverage was pursued by fostering the internationalisation of Italian companies and developing relationships with the main multinationals with the support of the Group's foreign network. In order to further improve this coverage and expand cross-selling, the Group has implemented a model for managing international network customers that is homogeneous throughout the Group's entire international network and is currently defining a growth strategy for international customers that leverages the current network and the expanded offerings for all customers. Following on the success of the pilot programme for the corporate customers of Intesa Sanpaolo Bank Romania, it was decided to extend the client-driven relationship model to the other banks in the International Subsidiary Banks Division. Furthermore, the SEPA, PSD, ISPay.Hub and Financial Value Chain have been initiated as part of the Payment Systems Assessment Programme; in particular the Financial Value Chain will have a strong impact on corporate customers by allowing the development of the line of cash-management and trade-finance products and services on a horizontal basis with close integration at the inter-Division and international levels.
The Department is responsible for:
- Société Européenne de Banque, which in 2009 reported a net income of 96 million euro, up by 27.7% compared to 2008, benefiting primarily from greater revenues (+24.1%) attributable to the rise in interest margin;
- Intesa Sanpaolo Bank Ireland, which ended the year with a net income of 85 million euro, compared to 7 million euro in the previous year, due to the increase in operating income (+59.5%), driven by net interest and lesser adjustments to loans;
- Zao Banca Intesa, which recorded a net income of 15 million euro, compared to 7 million euro for 2008, due to increased revenues generated mainly by positive development of net interest income and profits on trading. Effective 1 January 2010, Zao Banca Intesa was merged into KMB Bank (renamed Banca Intesa), thus bringing it within the scope of the International Subsidiary Banks Division.

Financial Institutions

The Financial Institutions Department's policy in 2009 was shaped by maximum selectivity, confirming caution towards the investment banking industry and implementing a gradual reduction of exposures on the insurance segment. In particular, actions focused on maintaining outstanding positions and developing lending operations with the Bank's strategic counterparties. Most maturing transactions were renewed, a bond purchase programme was implemented and marketing activity continued with the aim of fully exploiting bond investments through cross selling.
With regard to international payments, the consolidation process for existing customers and the acquisition of new customers continued. In the fund services area, the downtrend shown in 2008 lessened significantly in 2009. In custodian bank operations, intermediated volumes amounted to 112 billion euro at the end of 2009, down from 127 billion euro at the end of 2008, and asset managers' actions focused on seeking out simpler products oriented towards capital protection. Pension and real estate funds continued to grow, while the negative performance of speculative funds came to a near-complete halt. Lastly, with regard to custody services, volumes remained at a good level due to the acquisition of new market flows from foreign operators and increased transactions on Italian government securities.

Merchant Banking

During 2009, the Merchant Banking Department concluded a number of investment initiatives, adopting an approach marked by great selectivity and careful risk assessment. The main transactions include: participation in the capital increase by Alis – Aerolinee Italiane S.p.A. for a 33.3% stake; the acquisition of a 30% stake in MF Honyvem, third in the Italian business information market by revenue; and participation in the capital increase by Manucor S.p.A., which manufactures and markets plastic films for the packaging industry. A 10% interest was also acquired in Pirelli & C. Real Estate SGR. The subsidiary IMI Investimenti participated in the capital increase by B.E.E. Team, bringing its total interest in the company up to 22.06%.
Divestures included the disposal of the interest in the biomedical firm Esaote, sold to a consortium of investors promoted by the Swiss private-equity fund Ares Life Sciences. During 2009, the Intesa Sanpaolo Group's private-equity fund management operations underwent a rationalisation process that led to the concentration of the management of closed-ended funds reserved for qualified investors with a single asset management company, IMI Fondi Chiusi SGR. The venture-capital fund Atlante Ventures Mezzogiorno was launched during the year. The fund is dedicated to early-stage financing and expansion capital in the regions of southern Italy. If the other private-equity funds sponsored and managed by the Group are considered, the total commitment amounts to 330 million euro. IMI Fondi Chiusi SGR also resolved to launch a new closed-ended private-equity fund, Atlante Private Equity, with territorial competence extended to all of Italy, calling for a total investment commitment of 300 million euro, with the possibility of closing the initial subscription phase once a minimum commitment of 150 million euro has been reached. As at 31 December 2009, the portfolio held directly and through subsidiaries amounted to 2.6 billion euro, of which 2.3 billion euro invested in companies and 0.3 billion euro in private equity funds.

Structured Finance

The transfer of the Structured Finance operations undertaken by Intesa Sanpaolo in Italy and the United Kingdom to Banca IMI, through the contribution of a business line, entered into force in 2009. In the leveraged and acquisition finance segment, credit facilities were structured and provided to Buongiorno and S.G.M. and in support of the acquisitions of the CEBI/Cerved Group by the private-equity funds Bain and Clessidra, of the brewing and distribution operations of Anheuser-Bach by a private-equity fund, and of the firm Permasteelisa by the private-equity funds Investindustrial and Alfa Capital, also through the launch of a takeover bid.
Project and industry specialised lending activity included the signing of commitment documents along with a pool of 11 banks to refinance a leading distributor of gas in Italy, the continuation of financial advisory services for the refinancing of the construction of CCGT (Combined Cycle Gas Turbine) power plants in Sicilia, Lodi and Aprilia, the issue of loans for the development and maintenance of a digital telecommunications platform in France, the purchase of the Algyo gas deposit in Hungary and the construction of a natural gas reserve storage facility. Debt restructuring was completed for Tiscali, loans were provided for the construction of a desalination plant in Melbourne and a solar thermal plant in Spain, and a mandate was received (along with two other institutions) for a photovoltaic manufacturing plant to be constructed in Italy. Lastly, several transactions involving the nautical industry were closed.
In the real-estate sector, loans were provided to Sitas, the Arena Centar shopping centre in Zagreb, and the funds Alpha, Core Nord Ovest, Delta and Rho. Lastly, advisory services were provided to several real-estate companies involving the appraisal of their assets for a potential business combination between two leading market players.
In securitisation activities, the Bank acted as joint arranger and lead manager for the fourth transaction by Adriano Finance Srl in order to obtain assets eligible for allocation to open-market transactions with the ECB and as sole arranger and sole lead manager to the first Italian public-sector covered-bond programme, in which Intesa Sanpaolo served as issuer and BIIS as originator. Lastly, the Bank served as sole hedging counterparty in the securitisation of residential and commercial mortgages for Banco Popolare. Mandates to serve as agent bank for loans to ASM Brescia, Enel Rete Gas, Sorgenia 2, Farma Factoring, Buongiorno, Fondo Eta, Sitas, Ream SGR, Alta Cerro, Opera Immacolata, and Milano Farmaceutici were also acquired in 2009. Syndication transactions included the loans to Sorgenia, Enel Rete Gas, Auchan and Schneider Electric, project financing for Erg Power to build a combined-cycle electrical power plant, and the Forward Start Ageement for the Prysmian Group.
Lastly, in loan agency operations, Banca IMI was appointed agent bank for loans to Enel Rete Gas, Milano Farmaceutici, Monnalisa, Fimit-Fondo Rho, Salmoiraghi e Viganò, Tiglio1, Esaote and Brunello Cucinelli.

Proprietary Trading

The general improvement in the market's tone and the recovery of prices allowed an intensification of the strategy of reducing the portfolio of structured credit products by selling funded positions on the market and unwinding unfunded positions in advance (through the purchase of the underlying securities, reclassified to the loan portfolio). This policy did not change the risk profile and entailed considerably lower losses compared to the severe write-downs recognised in previous years.
The strategic asset allocation of the hedge fund portfolio was also thoroughly modified, leading to a gradual liquidation of the most highly liquid strategies most correlated with the markets. This resulted in a reduction of the portfolio and a contribution to the income statement that remained positive due to the net income realised on the trading of funds and the net valuations of positions. The positive performance was derived in particular from the equity funds that operate in the banking sector and those that have taken on long positions (protection sales) on the U.S. credit market.

Investment Banking, Capital Markets and Primary Markets

Capital markets operations recovered considerably in 2009, marking an increase in volumes of 36% compared to 2008. In this context, Banca IMI participated in capital increases by Enel, BNP Paribas, Aedes, HSBC, Lloyds Banking Group, ING, Société Générale, Banco Espirito Santo, SEB, Nordea, Rio Tinto, National Bank of Greece, Alpha Bank, DnB NOR, Pirelli & C. Real Estate, Adecco and, on the U.S. market, a capital increase by Citigroup and the equity unit offering by Johnson Controls Inc. In the takeover bid and delisting segment, Banca IMI led takeover bids for Mirato and Permasteelisa. In the area of corporate post-listing support, at the end of 2009 Banca IMI served as corporate broker and liquidity provider or specialist to 32 issuers listed on the MTA in Italy.
In the debt capital markets business, Banca IMI confirmed its leadership of the Italian primary debt market, overseeing 17 transactions for institutional and retail customers. The Financial Institutions sector witnessed bond issues by Banco Espirito Santo, RCI Banque, KBC Bank, Nova Ljubjanska Banka, Ubi Banca, Banco Popolare, Veneto Banca, Banca Marche and senior bond and subordinated lower tier-2 note issues by Intesa Sanpaolo. Banca IMI also coordinated the placement syndicated for bond offerings by Mediobanca, Nordea Bank and Rabobank. On the new corporate issues segment, which was also especially active, the bank acted as bookrunner in Italy for issues by Buzzi Unicem, Lottomatica, A2A, Atlantia, Finmeccanica, Fiat, Edison and, internationally, Abertis, E.on, General Electric, Daimler, Volkswagen and CEZ. It also acted as bookrunner for the Campari issue, which marked the first time that an unrated Italian corporate issuer had approached the international debt capital market in many years. The Wind and Piaggio issues were also noteworthy. Lastly, the bank

coordinated the placement syndicate for a bond offering by Eni. In the sovereign, supranational and agencies and local authorities segment, Banca IMI confirmed its international diversification strategy. In the latter category, it took part in two bond issues by the French local authorities Ile de France and Ville de Paris. On the sovereign segment, it acted as joint-lead manager and bookrunner for the issue of the new benchmark inflation-linked 30-year treasury bonds (BTP) by the Republic of Italy.
In its advisory role, Banca IMI maintained its leadership of the market despite the unfavourable scenario, achieving volumes in terms of the values of its M&A transactions less than half of those recorded in 2008 in Italy or Europe. In detail, it closed 35 transactions during the year, compared to 29 in 2008, for a total amount of 14.2 billion euro, making it the leader by number of transactions and fifth by value in Italy. Activity was especially intense in the energy and utilities sector, where it advised Eni on the sale of 100% of Italgas Più and Stoccaggi Gas Italia to Snam Rete Gas and Enel with three transactions. The bank also advised A2A on the sale of its remaining 20% stake in Endesa Italia to E.ON AG and acted as financial advisor to Iride in its merger with Enìa and in the merger by incorporation of AGAM Monza into ACSM Como; it advised Alitalia concerning the acquisition by Air France of a 25% investment in the airline through a reserved capital increase, Maire Tecnimont with its acquisition of Stamicarbon, Came with the acquisition of Jolly Motor, Alfaparf with the acquisition of GTS, Biancamano with the acquisition of Manutencoop Servizi Ambientali, and Avitour with an asset sale. It advised Davide Campari Milano on the acquisition of the U.S.-based Wild Turkey and Pan D'Este with the sale of a controlling interest to Morato Pane; it counselled Tiscali on the sale of its UK assets to TalkTalk Telecom and Weather Investments on the acquisition of the remaining 50% of the Greece-based Tellas; it consulted with the Franza Group on the sale of a minority interest in NH Italia; it advised Intesa Sanpaolo on the sale of the interest in Findomestic and its security services unit and aided Fondazione Cassa di Risparmio di Lucca during its negotiations to revise its partnership with Banco Popolare, which are still ongoing. The bank was awarded the "Financial Times and Mergermarket European M&A Awards" as "Financial Advisor of the Year - Italy" for its advisory activity in 2009.
On the primary market, institutional customers showed considerable interest in government issues in 2009. On this market, Banca IMI took part in new issues by corporate and bank issuers that met with considerable success with both Italian and international customers, including Atlantia, Volkswagen, two issues for Fiat, Campari (unrated issue), and several senior and subordinated issues for Intesa Sanpaolo and Piaggio. The secondary credit market was volatile across all asset classes, especially during the first months of the year. During this initial phase, institutional customers showed interest in senior bank paper and ABSs with higher ratings and better collateral originated in countries where the real-estate crisis was less severe (first and foremost, Italy). Then, when prices had reached particularly depressed levels, customers began to show interest in subordinated and corporate securities. In the second quarter, as portfolio liquidity became abundant, institutional customers showed renewed interest in purchases across all asset classes. There were especially interesting flows on the ABS market, where Banca IMI continues to increase its visibility, especially with international customers.
During 2009, private customers showed interest in highly rated corporate and bank debt issues. In the Banca dei Territori Division, bonds targeted at private customers came to approximately 25 billion euro, marking an increase of 6% compared to the previous year. Retail customers indicated a preference for simple products. Significant quantities of three-year fixed-rate and seven-year structured products were sold. In the second half of the year, Banca dei Territori began to place investment certificates, raising 500 million euro.

Factoring e Leasing

Mediofactoring had a turnover of 27 billion euro as at 31 December 2009, a 3.3% increase on an annual basis, allowing it to remain the number one domestic factoring provider. This performance may be attributed to its transactions without recourse, which more than offset the decrease in its transactions with recourse. Outstanding receivables increased by 6.3% and loans by 15.9%. Operating income, at 161 million euro, rose by 12.3% due to the increase in net interest income (+11.4%), which benefited from the growth in average loans (+21.3%). Income before tax from continuing operations amounted to 75 million euro, down compared to the corresponding period in 2008 due to higher net adjustments to loans. At 48 million euro, net income recorded a decrease of 5.5%.

Leasint ranked number two on the domestic leasing market, of which it has a 12.2% share. However, if the Group's other companies operating in the segment, i.e. Centro Leasing Banca and Neos Finance, are included, Intesa Sanpaolo is first. During 2009, Leasint entered into approximately 10,250 new leases, for a total value of 3.2 billion euro, down by more than 35% on 2008. Breaking down the portfolio by asset type, 54.7% of leases were for real estate, 38.8% for moveable property, and 6.5% for vehicle leases. Net income, penalised by the negative market context, amounted to 31 million euro, down 62.9% compared to 2008, due to lower revenues (-10.9%) and higher adjustments to loans (+50 million euro).

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes amount	Changes %
Net interest income	368	308	60	19.5
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	41	45	-4	-8.9
Profits (Losses) on trading	-14	-	14	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	3	-	3	-
Operating income	**398**	**353**	**45**	**12.7**
Personnel expenses	-37	-32	5	15.6
Other administrative expenses	-44	-48	-4	-8.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-81**	**-80**	**1**	**1.3**
Operating margin	**317**	**273**	**44**	**16.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-2	-	2	-
Net adjustments to loans	-125	-131	-6	-4.6
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**190**	**142**	**48**	**33.8**
Taxes on income from continuing operations	-70	-77	-7	-9.1
Merger and restructuring-related charges (net of tax)	-	-2	-2	
Effect of purchase price allocation (net of tax)	-4	-4	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**116**	**59**	**57**	**96.6**
Allocated capital	988	960	28	2.9
Profitability ratios (%)				
Cost / Income ratio	20.4	22.7	-2.3	-10.1
ROE	11.7	6.1	5.6	91.0
EVA® (millions of euro)	21	-34	55	

(millions of euro)

	31.12.2009	31.12.2008	Changes amount	Changes %
Loans to customers	40,890	38,830	2,060	5.3
Direct customer deposits	6,203	5,205	998	19.2
of which: due to customers	*4,586*	*3,301*	*1,285*	*38.9*
securities issued	*1,617*	*1,904*	*-287*	*-15.1*

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

The Public Finance Department's results for 2009 increased strongly in revenues and net income, despite the difficult market situation. Operating income amounted to 398 million euro, up by 12.7% compared to the previous year, due to the following factors: a significant increase in net interest income, which came to 368 million euro (+19.5%), related to new loans (more than 4 billion euro during the year), loan re-pricing policies correlated with the greater risk generated since late 2008, and the larger spreads achieved by exploiting the asset portfolio's liquidity characteristics, including as regards the rapid decrease in rates during the year; a decrease in net fee and commission income to 41 million euro (-8.9%) as a result of the public finance scenario, which witnessed a limited number of structured transactions during the year; and a loss on trading of 14 million euro due to valuation captions only indirectly associated with transactions with customers (negative fair value of hedging transactions and positive fair value of credit risk adjustment).
Operating costs amounted to 81 million euro, essentially stable compared to the previous year, reflecting effective cost containment measures. The cost/income ratio stood at 20.4% (down by more than two percentage points). As a result of

the above trends, operating margin was 317 million euro, up 16.1% on 2008. After lesser adjustments to loans of 125 million euro compared to 131 million euro in 2008, most of which were associated with a single position, income before tax from continuing operations was 190 million euro, up by 33.8% compared to 2008. Lastly, net income reached 116 million euro, nearly double the 59 million euro from the previous year.
Quarterly, operating income declined, primarily due to the expected fall in net interest income as a result of asset re-pricing at the fixing on 30 September 2009 and, to a lesser extent, the decrease in the profits (losses) on trading due to the valuation effects of hedging transactions. Net income in the fourth quarter was down on the third quarter due to the above-mentioned decrease in revenues and the greater loan impairment losses arising from the deterioration of the risk profiles of several borrowers and prudential provisions for risks and charges.
Capital allocated amounted to 988 million euro, up slightly on 2008, due to the increase in credit risk associated with the increase in loans. ROE, which benefited from the increase in profits, rose sharply from 6.1% to 11.7%. EVA® came to 21 million euro, up significantly on 2008.
With regard to the main balance sheet figures, loans to customers, totalling 40,890 million euro, were up 5.3% on the previous year, due to the effect of new business developed during the period and to the reclassification of certain debt securities from available for sale to loans and receivables, against the backdrop of continuing partial stagnation of infrastructure projects and a higher degree of caution adopted abroad. Direct customer deposits, amounting to 6,203 million euro, showed an increase of 19.2%, due to the higher cash balances of customer current accounts, counteracted by a decline in securities issued. The Public Finance Department contributed to developing the reserve of allocable assets in support of the Group's liquidity position and also provided assets for the programme to issue bank bonds backed by public-sector loans completed by Intesa Sanpaolo in July 2009.

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 branches in Italy and one branch abroad (London)

In 2009, to support and promote the development of large national infrastructures, advisory activity continued on large motorway projects, such as the BreBeMi project (Brescia-Bergamo-Milano motorway), the Milano East outer ring road and the Cremona-Mantova motorway. In the Pedemontana Lombarda transaction, BIIS acquired an interest in the concessionary along with Equiter. Moreover, it granted a short-term loan to Società Autostrada Brescia - Verona in order to complete a section of the A31 Valdastico motorway and continued disbursements to ANAS for the modernisation of national roads and motorways.
Public Finance participated in numerous important projects in support of health services, universities and scientific research: the loan granted to Pavia's CNAO - Centro Nazionale di Adroterapia Oncologica (National Centre of Oncological Hadrontherapy) to build the largest centre in Italy and the third largest in the world able of providing treatment based on cutting-edge technology; the mortgage for the refurbishment of Modena General Hospital; the project financing for the construction and management of a home for senior citizens in the town of Novara; the loan to Azienda Ospedaliera Universitaria Senese (Siena Teaching Hospital) to renovate the hospital; loans to the University of Milano for the construction of the Lodi veterinary hospital; and loan agreements for the renovation and completion of hospitals and health districts in Sardegna.
In the area of the improvement of public services and utilities, Public Finance participated in the granting of a syndicated loan to Multservizi, manager of the integrated water service of the Ancona environmental agency to fund investments envisaged in the Environmental Plan, after having served as advisor for the transaction, and was awarded a mandate to organise a loan to the integrated water service of the Novara environmental agency, which was granted a bridge loan from a syndicate formed with other banks pending the finalisation of the transaction. In the area of environmental services, a loan was granted to AMA, the company controlled by the town government that manages urban waste disposal services in the Municipality of Roma. In the low-environmental impact alternative energy sector, the Department: participated in the loan granted to Cassiopea PV Srl to build a solar farm in Montalto di Castro, Italy's largest and one of the largest in Europe, disbursed in a syndicate formed with other leading banks under the project finance formula, for which it also acted as agent bank; granted a loan to Pesco Solar, the special-purpose vehicle responsible for building the first solar plant on public land in Molise; granted loans to Enia Energia and Alerion to construct solar plants in Puglia; granted a bridge loan to

Sistema Solare to build fully integrated solar power plants in Basilicata and Puglia; and granted a loan to Pontenure Solar to allow construction of an integrated solar plant in Pontenure.

In the area of activities in support of the financial equilibrium of the public sector, disbursements continued to fund the long-term investment expenses of various local entities (such as the Provinces of Milano and Pavia and the Municipalities of Torino, Roma, Venezia, Monza, Novara and Napoli); in addition, a bond issue by Cassa del Trentino and bond issues by a number of Emilian municipalities, the latter of which under a prior agreement with the Municipality of Reggio Emilia. With the aim of freeing resources to be allocated to public uses, the Department advised the vehicle Cartolarizzazione Città di Torino to organise and structure a transaction aimed at rationalising and developing the entity's equity investment and real-estate portfolio. In order to improve operational management of the foreign Chambers of Commerce, Public Finance granted a credit line to advance government funds allocated but not yet disbursed. This transaction is part of a cooperation agreement between the Parent company Intesa Sanpaolo and the Chambers of Commerce belonging to Assocamereestero, aimed at improving the support services provided to companies in their internationalisation processes. Lastly, as part of the priority investment programmes for national defence, which benefit from state subsidies, disbursements continued in favour of defence system suppliers.

In the area of urban and local development projects, a loan was granted to Fondazione Fiera Milano in a pool with another institution. The loan is intended to finance the construction of the new Milan Convention Centre, an innovative architectural project that is part of a broader plan to upgrade and develop infrastructure in north-western Milan. The Bank is also involved in a project to renovate the facilities of Fiera di Forlì in accordance with the principles of the green economy through funding for a photovoltaic plant capable of providing 75% of the Exhibition Centre’s power needs. The project has been funded by Public Finance entirely through a financial lease of public property, an innovative technique in this field that services debt using the proceeds of the contributions provided by GSE (a government-owned promoter of alternative energy projects) against the power generated by the plant. In the area of improvements to transport infrastructure in Sicilia, the Bank has provided financing to Empedocle scpa, the general contractor awarded the contract to design and construct the modifications to state road 640 in Porto Empedocle. The Department continued to advise on the construction in Roma of over 40 parking areas for a total of approximately 6,600 spaces and the parking area for the new hospital in Bergamo, as well as on the construction and management of the Montello Bergamo Intermodal Freight Hub and the Manfredonia tourist port. In the area of public construction projects, it participated in projects for the construction of an academic centre in the Province of Bologna and a Carabinieri police force barracks in the Municipality of Follonica, funded through a financial lease of public property, and for the construction of a boarding school in Rieti through a property lease. Lastly, it granted a loan to the firms ACER Bologna and Casa, which are responsible for managing public property assets in Emilia Romagna and Toscana, for the completion of social housing projects.

International public and infrastructure finance activity included: the underwriting of a loan as mandated lead arranger for DARS, concessionary of the Slovenian motorway network, and the continuation of disbursements for road and motorway projects in various European countries; a loan in Spain, through a syndicate formed with other institutions, in the role of joint mandated lead arranger, for the modernisation of a station in the Madrid underground railway. In the transport sector, bond issues were subscribed in favour of SNCF and RFF, public French concessionaries of the country’s railway transport service and network, as well as the firm Aeroportos de Portugal. In the energy sector, a bridge loan was granted to Ruwais Suez Tractebel Power Company, in the role of mandated lead arranger, for the construction and management of a desalination and electrical power plant in Abu Dhabi, and a bond issue was subscribed in favour of Redes Energéticas Nacionais, the Portuguese high-voltage electricity distributor and natural gas carrier and storage operator. With regard to low environmental impact energies, disbursements continued for the construction of wind farms in Spain. In the area of the processing and use of urban waste, the Department participated in project financing for Riverside Resource Recovery Ltd, in the role of mandated lead arranger, for the construction of the United Kingdom’s largest waste-to-energy plant in London. Extensive financing was also provided to companies operating in the distribution and sale of electricity, gas, district heating, water and waste disposal in Germany, Austria and Norway, and, in the transport sector, to Vienna Airport, Fraport AG, a company that manages the airport of Frankfurt am Main and DSB Danske Statsbaner, a concessionary company for passenger railway transport in Denmark. In the public construction sector, the Department acted as mandated lead arranger in project financing for the construction of the women’s campus of Al Zayed University in Abu Dhabi and as arranger for the loan to the government-owned firm Senaatti-Kiinteiston, which manages the Republic of Finland’s real-estate assets. Lastly, funding was provided to numerous local authorities in Spain (including Comunidad de Galicia, Generalitat Valenciana, Comunidad de Madrid, Regiao Autonoma dos Acores, Generalitat de Catalunya and Junta de Andalucia), France (including Region Ile de France and Ville de Paris) and Germany (including Land Berlin and Land Baden-Württemberg).

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes amount	Changes %
Net interest income	1,433	1,478	-45	-3.0
Dividends and profits (losses) on investments carried at equity	2	2	-	-
Net fee and commission income	527	591	-64	-10.8
Profits (Losses) on trading	277	234	43	18.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	-24	-17	7	41.2
Operating income	**2,215**	**2,288**	**-73**	**-3.2**
Personnel expenses	-575	-615	-40	-6.5
Other administrative expenses	-425	-473	-48	-10.1
Adjustments to property, equipment and intangible assets	-137	-138	-1	-0.7
Operating costs	**-1,137**	**-1,226**	**-89**	**-7.3**
Operating margin	**1,078**	**1,062**	**16**	**1.5**
Goodwill impairment	-	-390	-390	
Net provisions for risks and charges	3	-14	17	
Net adjustments to loans	-633	-330	303	91.8
Net impairment losses on other assets	-8	-7	1	14.3
Profits (Losses) on investments held to maturity and on other investments	3	9	-6	-66.7
Income (Loss) before tax from continuing operations	**443**	**330**	**113**	**34.2**
Taxes on income from continuing operations	-78	-136	-58	-42.6
Merger and restructuring-related charges (net of tax)	-1	-6	-5	-83.3
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-1	-1	
Net income	**364**	**187**	**177**	**94.7**
Allocated capital	1,916	1,974	-58	-2.9
Profitability ratios (%)				
Cost / Income ratio	51.3	53.6	-2.3	-4.3
ROE	19.0	9.5	9.5	
EVA® (millions of euro)	105	280	-175	-62.5

(millions of euro)

	31.12.2009	31.12.2008	Changes amount	Changes %
Loans to customers	29,511	29,847	-336	-1.1
Direct customer deposits	27,583	28,212	-629	-2.2
of which: due to customers	*25,713*	*26,285*	*-572*	*-2.2*
securities issued	*1,870*	*1,927*	*-57*	*-3.0*

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

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking. With effect from 1 January 2009, three new subsidiaries were acquired: Centurion, a credit card company, acquired by Banka Koper and PBZ, Finor Leasing by Banka Koper and Intesa Leasing Beograd by Banca Intesa Beograd. Intesa Sanpaolo Card, the company responsible for the Division's credit card business, was created in April.
In 2009, the Division's operating income was down by 3.2% on 2008 to 2,215 million euro. However, this result was penalised by the depreciation of local currencies. Excluding this effect, revenues grew by 3.1%. A detailed analysis shows that net interest income amounted to 1,433 million euro, down slightly from 1,478 million euro in the previous year. The decrease is primarily attributable to the exchange-rate effect. If this effect is excluded, net interest income increased by 2.9%. Average volumes were up (+1.4%), driven by the rise in loans to customers (+8.4%), while direct customer deposits decreased (-2.1%). The decrease in the interest margin is attributable to Pravex Bank (39 million euro), KMB Bank (38

million euro), CIB Bank (33 million euro) and Privredna Banka Zagreb (22 million euro), partially offset by the positive results posted by VUB Banka (+36 million euro) and Bank of Alexandria (+41 million euro).
Net fee and commission income fell by 10.8% (527 million euro against 591 million euro), attributable in particular to CIB Bank (-24 million euro), Privredna Banka Zagreb (-11 million euro), and Pravex Bank (-10 million euro).
Profits on trading were 277 million euro, up on 2008 (+18.4%), primarily due to the positive contributions by Bank of Alexandria (+53 million euro) and Privredna Banka Zagreb (+24 million euro).
Operating costs were 1,137 million euro, down by 7.3% on 2008. The operating margin was 1,078 million euro, up slightly on 2008 (+1.5%; +7.4% excluding the exchange-rate effect). Income before tax from continuing operations amounted to 443 million euro, up by 34.2% due to the absence of goodwill impairment (2008 included the sum of 390 million euro attributable to the impairment loss on the goodwill of Pravex Bank) and despite the increase in net adjustments to loans which rose from 330 to 633 million euro. The Division closed 2009 with a net income of 364 million euro, nearly twice the figure reported in 2008.
Analysing the performance by quarter, revenues were the highest in the fourth quarter of the year, primarily owing to the positive contributions of net interest income and net fee and commission income. The same also applies to profits on trading and net income, which improved notwithstanding the presence of greater adjustments to loans, albeit in line with expectations.
Allocated capital, which represents 8% of the Group's capital, amounted to 1,916 million euro, down on the previous year. The strong earnings performance, along with the capital trend, resulted in a doubling of ROE to 19% (from 9.5% in 2008). Value creation, expressed in terms of EVA®, came to 105 million euro compared to 280 million euro in 2008 if goodwill impairment is excluded.

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
Organisation structure	
South-Eastern Europe	Presence in Albania, Bosnia-Hercegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Distribution structure	1,844 branches in 13 countries as at 31 December 2009. Effective 1 January 2010, it includes the branch of Zao Banka Intesa due to the merger of the company into KMB Bank (renamed Banca Intesa)

South-Eastern Europe

In 2009, the operating income of the Privredna Banka Zagreb group reached 464 million euro (-2.1% on the previous year). The performance may be attributed to the decrease in net interest income (-7.1%) and net fee and commission income (7.2%), which absorbed the growth of profits on trading. Operating costs decreased 4.2%, amounting to 223 million euro, as a result of the reduction in administrative expenses. These trends brought operating margin to 241 million euro, the same level as in 2008. Net income was 130 million euro, down by 24.8% compared to the previous year, penalised by greater net adjustments to loans (+57 million euro).

Banca Intesa Beograd reported an operating margin of 140 million euro, up by 2.6% on 2008. This trend is also affected by the exchange-rate effect (net of which the aggregate was up by 15.7%). Operating income decreased by 2.2%, primarily due to the downtrend in net fee and commission income (-8.3%) and the profits (losses) on trading (-19.6%). Operating costs decreased (8.7%), due in particular to adjustments (-18.2%). Net income, penalised by higher net adjustments to loans, was 65 million euro, compared to 70 million euro last year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2009 with an operating margin of 8 million euro, up by 13.4% on 2008. The increase is due to higher revenues (+6.7%), which in turn were mainly attributable to the contribution of net interest income, which more than offset the reduction in net fee and commission income and profits on trading. Operating costs rose by 3.9%, chiefly in the administrative expenses component and adjustments. Net adjustments to loans increased by 3 million euro, bringing net income to 2 million euro, down by 48% compared to 2008.

Intesa Sanpaolo Bank Albania posted an operating margin of 20 million euro, down 6.7% on 2008. Revenues were down by 5.2% due to the contraction in net fee and commission income, especially within the collection and payment area and the loan segment, profits on trading and net interest income. Operating costs fell 3.3% due to the sharp decrease in administrative expenses. After net adjustments to loans of 6 million euro, net income was 12 million euro, down 21.8% compared to 2008.

Intesa Sanpaolo Bank Romania's operating margin was 8 million euro, a 28.5% decrease on the previous year. Operating income was down slightly (-0.2%) owing to the negative contribution of net fee and commission income, which absorbed the strong performance of net interest income (+25.8%), correlated with an increase in average volumes with customers (+15% loans) and the total spread, and profits on trading (+5%). Net fee and commission income decreased (-59.7%) as a result of reduced commercial activities with customers. The growth in operating costs (+10.8%) was driven by the rise in human resources and the development of the distribution network. Net adjustments to loans amounted to 8 million euro, up on 2008 due to impairment of the loans portfolio. The bank closed the year at a substantial break-even, compared to a net income of 4 million euro in 2008.

Central-Eastern Europe

Banka Koper earned an operating income of 102 million euro, down by 1.2% compared to 2008. The decrease was driven by profits (losses) on trading (-14.9%) and net interest income (-2.6%), which were affected by a negative spread, despite the increase in average loans to customers (+7.6%). Conversely, net fee and commission income was positive (+3%). Operating costs fell slightly (-0.3%) due to the decline in administrative expenses. Net adjustments to loans increased by 62.3% compared to 2008, due to impairment of the loan portfolio. Net income amounted to 23 million euro, compared to 28 million euro in 2008.

The VUB Banka group's operating margin was 250 million euro, up 3.3% on 2008. Operating income was down slightly (-0.3%) primarily owing to the negative contribution of profits (losses) on trading (-63.2%) and lower profits on foreign exchange transactions following the introduction of the euro in Slovakia in 2009, and net fee and commission income (-3.3%). These trends offset the positive effect of net interest income, which benefited from the increase in average volumes with customers (+17.6% loans; +4.5% deposits). Operating costs amounted to 215 million euro, down 4.1% primarily as a result of a decrease in administrative expenses. The increase in net adjustments to loans (from 45 million euro to 93 million euro) is attributable to the deterioration of the loan portfolio quality as a result of the economic crisis. Despite the positive effect of the release of provisions for risks and charges (5 million euro) following the favourable outcome of a legal dispute, net income totalled 142 million euro, down 12.6%.

The CIB Bank group recorded operating income of 505 million euro, down 9.9% on 2008. The decrease in revenues was mainly due to the reduction in the current account and loan components of net fee and commission income (-16%) and in net interest income (-13.5%) as a result of the depreciation of the local currency (if this effect is excluded, the caption was down 3.5%). Operating costs decreased by 17.3%, mainly due to lower personnel and administrative expenses. Following increased net adjustments to loans of 253 million euro compared to 138 million euro for 2008, attributable mainly to the real estate sector of the corporate segment, net income amounted to 17 million euro, compared to 108 million euro in the previous year.

Commonwealth of Independent States & South Mediterranean

KMB Bank's income statement for 2009 closed with a loss of 27 million euro, compared to 8 million euro net income for the previous year. In detail, net interest income decreased by 27.8% due to the contraction in the total spread owing to the general decline in market rates, while intermediated volumes also fell. Conversely, net fee and commission income increased by 18.5% as a result of generalised growth of all components. Operating costs decreased by 12.8% due to depreciation of the exchange rate (+4.7% in local currency). Net of this effect, there was an increase in personnel expenses and adjustments due to growth of commercial activities and expansion of the network carried out at the end of 2008. Net adjustments to loans increased significantly to reach 45 million euro, due to an increase in the non-performing assets linked to the Russian market crisis.

The operating margin of Pravex Bank amounted to 2 million euro (-92% compared to 2008). Operating income fell by 50.2%, affected in part by exchange rate depreciation (change in local currency: -29.6%). The decline was generalised across all components: net fee and commission income, attributable to reduced lending activities, net interest income, due to the deterioration of the portfolio, and profits (losses) on trading, as a result of a decrease in securities transactions.

Operating costs fell by 37.6%, mainly due to reduced personnel expenses as a result of the downsizing of the workforce. Net adjustments to loans, which totalled 57 million euro, felt the impact of the deterioration of the loan portfolio quality caused by the worsening of the macroeconomic situation. Pravex Bank reported a net loss of 49 million euro, compared to a significant loss in 2008, primarily owing to goodwill impairment.

Bank of Alexandria reported a net income of 60 million euro, compared to 32 million euro in 2008. Operating income nearly doubled, benefiting from net interest income (+41.6%), driven by the increase in average volumes with customers (+42.5% loans) and the profits on trading (+53 million euro). Operating costs rose by 35.3% across all captions owing to the network expansion process.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes	
			amount	%
Net interest income	2	10	-8	-80.0
Dividends and profits (losses) on investments carried at equity	13	15	-2	-13.3
Net fee and commission income	297	321	-24	-7.5
Profits (Losses) on trading	4	11	-7	-63.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	7	3	4	
Operating income	**323**	**360**	**-37**	**-10.3**
Personnel expenses	-58	-53	5	9.4
Other administrative expenses	-79	-91	-12	-13.2
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-138**	**-146**	**-8**	**-5.5**
Operating margin	**185**	**214**	**-29**	**-13.6**
Goodwill impairment	-	-95	-95	
Net provisions for risks and charges	-4	-2	2	
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	**181**	**117**	**64**	**54.7**
Taxes on income from continuing operations	-47	-52	-5	-9.6
Merger and restructuring-related charges (net of tax)	-	-9	-9	
Effect of purchase price allocation (net of tax)	-39	-261	-222	-85.1
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**95**	**-205**	**300**	
Allocated capital	50	105	-55	-52.4
Profitability ratios (%)				
Cost / Income ratio	42.7	40.6	2.1	5.2
ROE	190.0	n.s.		
EVA® (millions of euro)	127	149	-22	-14.8

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Assets under management	135,491	129,161	6,330	4.9

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

Overall, the assets managed by Eurizon Capital came to 135.5 billion euro at the end of December 2009, up 4.9% on an annual basis, driven by the outperformance of over 60% of the firm's products which exceeded their benchmark. This trend more than offset the negative performance of net inflows, primarily attributable to outflows from mutual funds and retail portfolio management schemes. Eurizon Capital's share of the mutual fund market came to 18.7% at the end of December.
Operating income amounted to 323 million euro in 2009, down by 10.3% compared to the previous year owing to the prevalence of redemptions, which translated into a decrease in assets under management. Operating costs decreased significantly (-5.5%) due to the synergies achieved following the integration of Eurizon Investimenti into Eurizon Capital. Income before tax from continuing operations was 181 million euro (+54.7%), benefiting from the absence of the goodwill impairment recognised in 2008. Eurizon Capital closed the year with a net income of 95 million euro, compared to a net loss of 205 million euro in the previous year, when it was weighed down by the effects on the income statement of the purchase price allocation, net of taxes, primarily attributable to the impairment of the company's intangibles.

A quarterly analysis shows that the operating margin in the fourth quarter was nearly triple the level of the third quarter, owing to revenue growth, and, most markedly, net fee and commission income, which benefited from the recognition of mutual fund performance fees at year end.
Capital absorbed amounted to 50 million euro, down on 2008. ROE remained at the high levels characteristic of the business unit, attributable to its limited absorption of capital compared to the huge volumes of assets managed by the company and placed by the Group’s banking networks. EVA®, which measures value creation, decreased from 149 million euro to 127 million euro.

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 mutual funds using quantitative methods

Corporate events in 2009 included the entry into force of the merger by incorporation of CR Firenze Gestion Internationale and Intesa Distribution International Services into Eurizon Capital SA (Luxembourg). In addition, the process of gradually centralising the Group’s asset management operations continued, with Intesa Sanpaolo contributing its 49% interest in the China-based firm Penghua Fund Management Company Limited to Eurizon Capital SGR.

In the mutual fund area of the product line, a long-term investment plan named “Eurizon Meta Giovani” targeting young people aged between 18 and 35 was launched. A service known as “Insieme per Domani”, which allows customers to give an “investment plan” to those under 18 years of age, was also launched.
In terms of individual portfolio management schemes, the range of products offered by Banca dei Territori was enhanced with the "Linea Misurata" portfolio management scheme, while the “Investimento Private Bond” portfolio management scheme was launched in the private segment.
Lastly, a new protected fund created by Eurizon Capital SGR known as “Eurizon Focus Capitale Protetto 12-2014” began to be marketed.
In the area of the Luxembourg products, the product line marketed by the Intesa Sanpaolo network was expanded through the launch of five sub-funds of the fund “Eurizon Focus Formula Azioni 2015”, which allow investors to benefit, at the end of the investment holding period, from 100% of the value of their initial unit, increased by a share of the growth of major international stock exchanges according to a pre-determined formula. Two new funds, “Eurizon Focus Riserva DOC” and “Eurizon Opportunità”, were created. They are devoted to retail customers and focus on investment in corporate bonds for a predetermined holding period. Other products based in Luxembourg include four recently launched sub-funds of the umbrella fund “Eurizon Stars Fund”. This line was rounded out through the creation of the new umbrella fund “Eurizon Multimanager Stars Fund”.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	2009	2008	Changes	
			amount	%
Net interest income	158	158	-	-
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	441	469	-28	-6.0
Profits (Losses) on trading	15	-10	25	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-3	4	-7	
Operating income	**611**	**621**	**-10**	**-1.6**
Personnel expenses	-126	-122	4	3.3
Other administrative expenses	-184	-190	-6	-3.2
Adjustments to property, equipment and intangible assets	-18	-15	3	20.0
Operating costs	**-328**	**-327**	**1**	**0.3**
Operating margin	**283**	**294**	**-11**	**-3.7**
Goodwill impairment	-	-580	-580	
Net provisions for risks and charges	-43	-45	-2	-4.4
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-4	-4	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**240**	**-335**	**575**	
Taxes on income from continuing operations	-58	-57	1	1.8
Merger and restructuring-related charges (net of tax)	-4	-12	-8	-66.7
Effect of purchase price allocation (net of tax)	-85	-316	-231	-73.1
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**93**	**-720**	**813**	
Allocated capital	310	246	64	26.0
Profitability ratios (%)				
Cost / Income ratio	53.7	52.7	1.0	1.9
ROE	30.0	n.s.		
EVA® (millions of euro)	147	151	-4	-2.6

(millions of euro)

	31.12.2009	31.12.2008	Changes	
			amount	%
Assets under management	47,034	40,293	6,741	16.7

Assets under management amounted to 67.8 billion euro at the end of December 2009 (of which 47 billion in assets under management and 20.8 billion in assets under administration), up by 12.1% year-on-year owing to the strong asset performance and net inflows of 2.8 billion euro (0.3 billion euro in 2008), almost all of which were acquired during the fourth quarter of the year and most of which are attributable to the effects of Italy's third tax amnesty. The capital repatriated or regularised came to approximately 3.5 billion euro, representing net inflows of 2.4 billion euro (of which 2.1 billion had already been collected during the year). The integration of the private bankers network of Banca CR Firenze into Sanpaolo Invest SIM contributed approximately 0.4 billion euro to the positive net inflow performance. In particular, net inflows of assets under management came to 2.9 billion euro, compared to net outflows of 3.9 billion euro in 2008, benefiting from the positive performances of the mutual funds and portfolio management segments. Conversely, the assets under administration component showed net outflows of 124 million euro, compared to net inflows of 4.2 billion euro in the previous year. In 2008, the figure benefited from the reallocation of customers' assets from asset management products towards repurchase agreements, bonds and current accounts. The results achieved in 2009 confirm that customers' portfolios are currently being repositioned towards assets under management in order to be able to take advantage of the opportunities offered by the recovery of capital markets.
Following the integration of the Banca CR Firenze network, the number of private bankers increased from 4,209 at the end of 2008 to 4,292 units as at 31 December 2009.

Operating margin amounted to 283 million euro, down 3.7% from 2008. This result is largely attributable to the decrease in net fee and commission income, linked to the reduced average AUM volumes and, in part, to the repositioning of the product mix during most of the year in favour of bond and cash products less profitable for the bank, which more than offset the growth in profits on trading. However, the downtrend in net fee and commission income reported in 2008 came to a halt in the first quarter of 2009, after which fee and commission flows then gradually rose in the following quarters. In the fourth quarter, total fee and commission income was over 25% higher than in the previous quarter. Profits on trading, amounting to 15 million euro, benefited from the gains realised on the early unwinding of several derivative contracts entered into in late 2008. Income before tax from continuing operations reached 240 million euro, compared to a loss of 335 million euro in 2008, when the figure was influenced by the recognition of 580 million euro in goodwill impairment recognised on the consolidated financial statements. Lastly, Banca Fideuram closed 2009 with a net income of 93 million euro, compared to a loss during the previous year, realised due to the recognition of 316 million euro in purchase price allocation effects, primarily associated with the impairment of intangibles.
The capital absorbed by Banca Fideuram came to 310 million euro, up by 64 million euro compared to 2008. ROE amounted to 30% owing to the positive performance of net income. EVA®, which measures value creation, remained essentially stable at 147 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	97 branches in Italy with 4,292 private bankers

The initiatives taken by Banca Fideuram in 2009 were carried out consistently with the objective of consolidating market leadership through the enhancement of its key strengths. Product development activity was aimed at achieving strategic objectives attributable to advisory and strengthening private-banking operations. Particular attention was also devoted to investment solutions aimed at allowing gradual repositioning of assets on the asset management segment and, within this segment, towards products with a risk/return profile more interesting to customers.
In the asset management segment, innovative products such as formula-based funds were launched, auxiliary services to the existing line of UCI such as scheduled conversion plans were introduced, and especially qualified external partners were sought. In the asset under administration area, short- and medium-term bond placements were held in order to meet liquidity needs. Lastly, the first dedicated products were launched as part of the process of improving the credit services offered to customers.
Particularly noteworthy among the events of 2009 was the introduction of the service Consulenza Evoluta Sei, which offers customised solutions to fit all investment needs and evolve with them as they change over time.
In the private-banking segment, two new offices for private-banking customers were opened, staffed by professionals playing a supporting role to private bankers in their relationships with customers. The portfolio of offerings was expanded through the creation of dedicated products that allow a high degree of customisation to suit each individual customer. A unit known as the Private Service Line was also created to provide networks with support on financial and non-financial issues, including by developing ad-hoc solutions, customised offerings and auxiliary services for this type of customer.
Lastly, the integration of the network of private bankers of Banca CR Firenze into Sanpaolo Invest SIM was completed during the year, involving, in addition to migration of the private bankers, customers and products included within the business line being transferred, adaptation of the IT systems of the Fideuram and Sanpaolo Invest networks for the placement of eight new third-party products previously included in Banca CR Firenze’s product range.

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 2009 with an operating loss of 36 million euro, compared to operating income of 64 million euro in 2008. This performance was primarily the result of lower net interest income, due to the higher cost of medium-/long-term funding and the effects of reduced interest rates on the gap between non-interest bearing liabilities and non-interest bearing assets, only partially offset by lower net fee and commission expenses and improved profits (losses) on trading. Operating costs decreased by 2.2% compared to 2008. Overall, the Corporate Centre reported a net loss of 348 million euro, compared to net income in the previous year, when it benefited from capital gains on the sale of Agos and the sale of 198 branches, as well as a larger tax credit.

Treasury operations

The Treasury Department includes services in euro and in foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. During 2009, Intesa Sanpaolo continued to play a key role on domestic euro payment systems as a direct member and provider of settlement services to Group and third-party banks. In particular, the activities necessary for the settlement of the CR Firenze Group, which began operations in July, were completed, and the settlement model previously applied to the entire Group was also brought into line for individual Casse del Centro banks. The Treasury settlement activities in euro involved approximately 27,000 average daily transactions amounting to a total of 50 billion euro on the EBA and Target2 systems. The Treasury remained committed to serving in working groups formed for all settlement system development projects, and in particular to ensuring compliance with the standards set for the new platforms (for the management of Target2-Securities and the management of Correspondent Central Banking Model 2 collateral). Work also continued to extend the settlement service for foreign exchange transactions. Contact is scheduled to be made with new banks that intend to participate in CLS as third parties to our institution in early 2010.

On money markets, the first part of the year was characterised by a sharp downtrend in money market rates owing to the gradual easing of severe liquidity-related tensions that had featured prominently in late 2008. In the second part of 2009, the major central banks maintained expansionary policies without changing official rates, while preparing themselves for the first steps that will lead to the effective implementation of exit strategies in the coming year. The European Central Bank, in line with market expectations, carried out some non-conventional interventions, such as the purchase of covered bonds, the inclusion of the European Investment Bank among the counterparties that can participate in transactions on the open market and auctions with a one-year maturity. The placement of funds in excess of the system's needs, including on maturities far beyond very short term, ensured that conditions were consistently free of even the slightest tension concerning liquidity, even during the generally critical period of year-end maturities: current market rates held essentially stable during the fourth quarter across all maturities typical of money markets (0-18 months) and fell well below the official ECB rate on short-term maturities. On the U.S. dollar money market, injections of liquidity by the Federal Reserve, in particular through purchases of mortgage-backed securities, led to a marked flattening of the short-term curve, with rates near to zero. In the meanwhile, the U.S. central bank began to consult with major financial institutions to assess several methods of removing liquidity (reverse repurchase agreements and term deposit facilities) for possible implementation in the second half of 2010.

Money market transactions, following a slow recovery in the summer months, remained essentially stable and were largely concentrated on short-term maturities. The prudence shown by banks in undertaking unsecured lending remains high, regardless of liquidity conditions. The unsecured segment is struggling to recover, except to a minimal extent, its pre-crisis efficiency levels. Conversely, there continues to be interest in collateralised instruments, confirmed by transactions on the MIC (Mercato Interbancario Collateralizzato – Collateralised Interbank Market), on which Intesa Sanpaolo played an active role during the year, supplying liquidity to the system through short-term loans to other market participants. Owing to the collateral scheme that minimises credit risk, the MIC has reported a gradual increase in volumes, even though the market is limited to Italian banks.

The liquidity position of Intesa Sanpaolo has not undergone particular changes. Liquidity continues to exceed current needs and provide considerable reserves. Surplus liquidity has been managed by seeking out the most highly liquid instruments on each occasion (namely the repurchase agreement and short-term interbank markets) while constantly aiming to reduce the costs of holding liquidity to a minimum.

Intesa Sanpaolo is held in considerable esteem by the market. The funding conditions and size of its issues confirmed the significant interest in our debt, allowing us to maintain essentially stable outstanding debt under our programmes. In early 2010 the two short-term debt instrument issue programmes present in the United States were merged and the maximum limit concurrently increased in order to have access to an even more flexible tool for covering the assets of the local branch and the Parent company.

With regard to the trading portfolio, 2009 was characterised by an initial deterioration in financial market liquidity that had an impact on credit spreads of certain sovereign issuers in the eurozone, financials issuers and the covered bonds market in general. This deterioration receded at the end of March, together with a recovery in share prices, bringing the values of several financial assets back to the levels recorded prior to the Lehman Brothers crisis. In this context, the management policy for liquidity portfolios held by the Head Office and the main international subsidiaries abroad focused on eligible assets characterised by top ratings, high liquidity and low volatility. In early 2009, the bank privileged issues of Financial Government Guaranteed Bonds, especially in eurozone countries and with maturities not exceeding three years, as well as issues of BOT and CTZ with more attractive spreads compared to the Eonia curve than in the past. In the Financials segment, downsizing of the portfolio continued, only partly replacing matured positions with issues by eurozone banks considered to be among the soundest. Several positions were reduced as early as the second quarter, particularly among Government Guaranteed Financials and Senior Financials, which benefited from improved market confidence and simultaneously enjoyed a significant contraction of credit spreads. Spreads on the assets held in portfolio continued to shrink even more markedly in the second half of the year, especially on the covered bonds segment. The latter benefited from the repurchase programme undertaken by the European Central Bank, which contributed to rendering the market more liquid, as spreads decreased and there was renewed interest in numerous primary-market issues. In the latter part of the year, spreads continued to decrease as expected against Overnight Indexed Swaps (OIS) of positions in short-term government bonds, with a concurrent reduction in the positions that most benefited from this decrease. These liquidity portfolios are funded mainly by issuing short-term financial instruments but with maturity extended over several months, which therefore constitute liquidity buffers for use in stress scenarios above and beyond the facilities made available by Central Banks. In particular, on the domestic screen-based repurchase market, with underlying Government securities in euro, the Bank continued to play a primary role in providing liquidity to this market.

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 sharp drop in short-term interest rates over the last few months, the reduction in mark-down on demand deposits was significantly offset by the decisions made to protect the interest margin. 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.

During 2009, in the area of structured finance transactions, the Bank sold its interest in the French bank Natixis, resulting in a capital gain at the consolidated level of approximately 86 million euro, as well as unlisted Visa and Mastercard equities, generating a capital gain of approximately 19 million euro.

Funding

During 2009, a total of 11.9 billion euro in international fund-raising transactions was closed. Of this total, approximately 8.2 billion euro was represented by the issue of securities and 3.7 billion euro by deposits from foreign investors with international branches and subsidiaries against their local funding. In particular, the re-opening of the Euromarket in the fourth quarter allowed Intesa Sanpaolo S.p.A. to issue 1.5 billion euro in 10-year lower tier 2 subordinated notes, 1.5 billion euro in tier-1 hybrid notes, 1.5 billion euro in 7-year senior notes and 2.3 billion euro in 3-year senior notes.

On the domestic market, the total amount of issues placed through in-house and third-party networks came to 31.6 billion euro, of which 0.8 billion euro was represented by lower tier-2 subordinated notes at floating rates with an average life of five years. The structured bond component (mainly structured interest-rate securities) was prevalent among the securities placed, coming to 54.7%, while the remainder, 45.3%, consisted of plain vanilla securities. Breaking down securities by average lifetime, the bulk (54.5%) consists of maturities of two years, while securities with maturities of three to eight years represent 45.5%.

On 20 July 2009, in the structured finance area, the bank closed the securitisation of a portfolio of performing residential mortgages with a total value of 5,860 million euro, after selling them without recourse to Adriano Finance Srl. Adriano Finance then issued RMBS at par (Adriano Finance F/R Notes due June 2065) for an equal amount, broken down into two tranches, both of which were subscribed for by the Bank in their entirety. The Bank also provided the vehicle with a limited-recourse subordinated loan with a maturity matching that of the notes. Intesa Sanpaolo structured the transaction in conjunction with Banca IMI, which also aided the Bank by serving as lead manager and bookrunner for the issue. During the third quarter of 2009, the Bank completed the structuring of the bank bond programme guaranteed by Intesa Sanpaolo and secured by the assets of its subsidiary BIIS. In May, BIIS had sold an initial portfolio of approximately 3.6 billion euro to the vehicle ISP CB Pubblico Srl, funded by an initial draw-down by the vehicle on the limited-recourse subordinated loan granted by the Bank. On 24 July 2009 the Bank finalized the issue of the first tranche of 3 billion euro, subscribed in its entirety by BIIS, which is holding it as a liquidity reserve. Banca IMI was responsible for structuring the programme, as well as serving as the Bank's lead manager and bookrunner for the inaugural issue.

Business continuity

During 2009, the business continuity solutions of Intesa Sanpaolo were also updated in line with the evolution of its organisational structure and in accordance with the Supervisory Authorities' Instructions concerning "Business Continuity in case of emergency", with special regard to the most stringent requirements established by the Bank of Italy for major banks (Measure 311014 of 21 March 2007). In this regard, it should be noted that the Bank and user functions certified a "cross" disaster recovery solution between the IT hubs in Torino and Parma. This solution was then extended to two foreign banks, Banca Intesa Beograd and KMB Bank (presently Banca Intesa Russia).
In parallel to the creation of the new disaster recovery plan, the Bank began to implement its strategy for rationalising the configuration of its IT centres involving the complete sale of the Basiglio disaster-recovery hub. In the area of business continuity organisational solutions, the Continuity Plans for the Corporate and Investment Banking Division, International Subsidiary Banks Division, Head Office Departments, Public Finance Department and the Banca dei Territori Division were updated in accordance with the development of the organisational structure.
In terms of business continuity governance, the Parent company's Business Continuity Guidelines and Crisis Management Organisational Model were extended to essentially the entire Group and the role of "crisis manager" specialised in crisis scenarios (an innovation deriving from experience in the field) was added. The Group's Crisis Unit was activated in response to two events during the year, the earthquake in Abruzzo and the A/H1N1 influenza pandemic, involving financial counterparties, the authorities and institutional entities. In addition, in November Intesa Sanpaolo participated in the annual simulation organised by the Bank of Italy (CO.DI.SE), together with the ECB, to verify the ability of the Italian financial system to react promptly and effectively to business continuity crises.

Lastly, the Security Policy Document, provided for by Section 34, paragraph 1, letter g) of Legislative Decree 196 of 30 June 2003, "Personal Data Protection Code", was prepared and updated in accordance with the instructions provided by Rule 19 of the Technical Specifications, Annex B of the Decree.

Information technology systems

In the area of information technology systems, 2009 saw the completion of the integration process initiated following the creation of Intesa Sanpaolo both in terms of cost synergies arising from the integration of information technology systems and the management of planning activities in accordance with predetermined timetables and the mitigation of operational risks arising from migration activities.
In further detail, the year saw the conclusion of work to migrate Group banks to the Target information technology system and develop the organisation of the Banca dei Territori Division and Corporate and Investment Banking Division. Business continuity and disaster recovery solutions were also consolidated for the banks migrated to the Target platform. Migration for the Banca dei Territori Division involved the convergence of the models, products, processes and procedures of Group banks towards a common platform. In this area, the Group completed the migration for Banca MedioCredito Italiano, Banca di Credito Sardo, the Cassa di Risparmio di Firenze Group and the Casse del Centro Group. In addition, work was also done to launch the eight new Regional Governance Centres into which the Division was reorganised and to restructure branches at the geographical level by contributing and rationalising branches in accordance with the Banca dei Territori model. Activities for the Corporate and Investment Banking Division involved the incorporation of Intesa Sanpaolo Servizi Transazionali, the completion of the process of integrating the Finance Area on the Target system, and, in the structure finance business, the project that led to the concentration of investment banking operations within Banca IMI.

Other initiatives were undertaken in support of the Group's business and governance structures, for the development of new products and services, the simplification of operating processes and tools, the testing and execution of technological innovation activities and the fulfilment of obligations in relation to changes in laws and regulations. The major initiatives for the Banca dei Territori Division, in addition to the development of new products, included the evolution of Internet banking in a Web 2.0 framework, the development and strategic repositioning of mobile banking operations and contactless payments, the implementation of CRM components and applications in support of the sales network. Important work was also done in the area of the Quality and Customer Satisfaction Service for the monitoring of services rendered to customers and new implementations within the Patti Chiari Consortium. In addition to new products, the work done for the Corporate and Investment Banking Division included evolving the Internet banking platform for businesses and developing electronic billing. The main update processes for governance structures were represented by the new management information and management reporting control and validation platform (Macchina dei Numeri), the development of the new accounting architecture (Target Accounting Model), and the continuation of activities associated with the Basel 2 project work groups. In addition, significant effort was dedicated to developing the Banca Semplice programme for simplifying the Group's internal operating model and customer processes.

In the area of innovation, considered a strategic priority, the many projects include the development of the "virtual branch", the new "knowledge management 2.0" system, the "smart branch", the innovative "push communication & instant selling" architecture, and the portals created for various Company communities and the development of collaboration tools.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2009	13,727	3,356	397	17,480
2008	14,597	3,371	-127	17,841
% change [(a)]	-6.0	-0.4		-2.0
Loans to customers				
31.12.2009	323,780	40,252	10,001	374,033
31.12.2008	336,842	46,233	11,597	394,672
% change [(b)]	-3.9	-12.9	-13.8	-5.2
Direct customer deposits				
31.12.2009	323,964	68,921	29,059	421,944
31.12.2008	309,813	73,740	39,083	422,636
% change [(b)]	4.6	-6.5	-25.6	-0.2

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 2009 and 2008.

[(b)] The change expresses the ratio between 31.12.2009 and 31.12.2008.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy was responsible for 78.5% of revenues, 87% of loans to customers and 77% of customer deposits. 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).
At the level of the operating performance in 2009, Italy posted strong results in terms of deposit volumes, which offset the downtrends in Europe and the Rest of the world. The disbursement of loans abroad was guided by selective criteria in response to heightened credit risk associated with the crisis that has affected several countries in which the Group operates.

Shareholder base, stock price performance and other information

Shareholder base

As at 31 December 2009, according to records in the Shareholders' Register, shareholders of Intesa Sanpaolo with stakes exceeding 2% - threshold of the voting capital of a listed company that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – were as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,171,622,725	9.888%
Crédit Agricole S.A. (**)	708,822,880	5.982%
Assicurazioni Generali	601,163,955	5.073%
Fondazione C.R. di Padova e Rovigo	583,404,899	4.924%
Fondazione Cariplo	554,578,319	4.680%
Ente C.R. Firenze	400,287,395	3.378%
Blackrock Inc. (***)	377,189,444	3.183%
Fondazione C.R. in Bologna (****)	323,955,012	2.734%
Carlo Tassara S.p.A.	296,764,457	2.504%

(*) held directly or indirectly.

(**) for more information see Part A of the Notes to the consolidated financial statements, on events after the reporting period and the extract of the commitments of Crédit Agricole to Intesa Sanpaolo, published on group.intesasanpaolo.com website.

(***) held as assets under management.

(****) of which 50,000,000 shares under securities lending arrangements in favour of Mediobanca, with voting right held by the lender.

Stock price performance

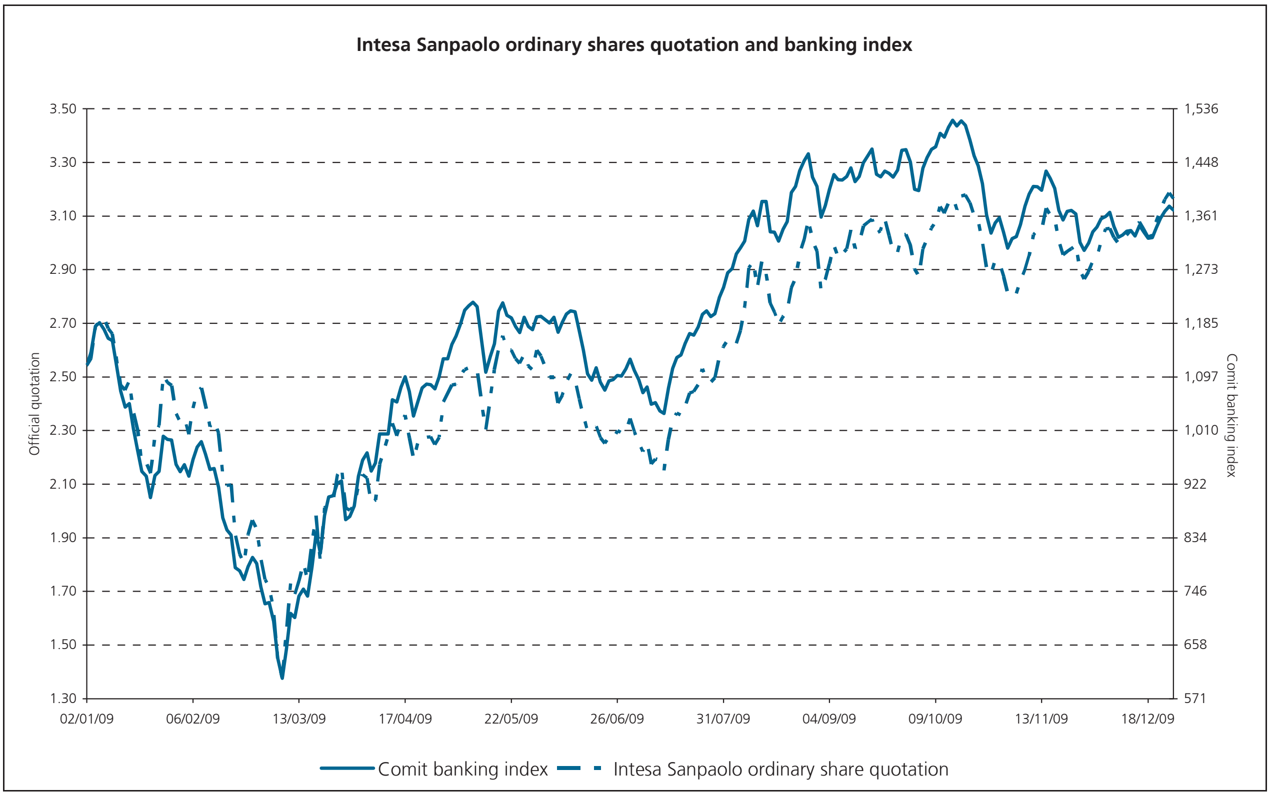
At a European level, the banking sector was characterised by the same general stock market trend, although to a greater extent in terms of performance: from the beginning of the year to the all-time lows recorded in the first ten days of March, the Dj Euro Stoxx Bank index, reduced dramatically following the worsening of the financial crisis and the concerns over the evolution of the situation and asset quality. However, in the second half of the year, the European banking index rallied decisively, ending 2009 up sharply and peaking for the year in October.

The industry's performance in Italy was essentially consistent with the rest of Europe. After falling from the beginning of the year to reach a low in the first half of March, 2009 ended on a significant positive note, although the performance of Italian banks were below the European average.

The price of Intesa Sanpaolo ordinary share fell gradually in the first two months of 2009 in a scenario characterised by a general decrease in banking industry indexes, a significant rally in the following two months, along with a marked recovery by industry indexes, and a cyclical performance in May and June, followed by an uptrend in the second half of the year that ended 2009 with 24.4% growth compared to the beginning of the year.

The price of Intesa Sanpaolo savings share was up by approximately 26% at the end of 2009 compared to the beginning of the year. The discount with respect to ordinary share decreased slightly, falling to 26% from 27% at the beginning of the year.

At the end of 2009, Intesa Sanpaolo's capitalisation amounted to 39.7 billion euro, against 31.9 billion euro at the beginning of the year.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the distribution 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 proposed 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 EPS is calculated considering the effect of the forecast issues of ordinary shares, which, in any case, do not determine material effects and permit, therefore, the full convergence of the two ratios.

	31.12.2009		**31.12.2008**	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	11,845,400,241	932,340,118	11,812,160,556	932,377,916
Income attributable to the various categories of shares *(millions of euro)*	2,578	227	2,344	209
Basic EPS (*euro*)	0.22	0.24	0.20	0.22
Diluted EPS (*euro*)	0.22	0.24	0.20	0.22

Price/book value

In its traditional formulation, 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.
For the Intesa Sanpaolo Group, the performance of the index – restated for 2009 on average figures for the year and at year-end – is influenced by the significant increase in shareholders' equity resulting from the merger and market trends.

(millions of euro)

	31.12.2009	2009	2008	2007	2006	2005
Market capitalisation	39,696	32,228	48,639	71,058	33,724	26,258
Shareholders' equity	52,681	50,818	50,256	51,558	17,435	15,337
Price / book value	**0.75**	**0.63**	**0.97**	**1.38**	**1.93**	**1.71**

Figures for the periods prior to 2007 refer to Gruppo Intesa and have not been restated to consider the merger.

Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. For 2008, the value of the index is 1% since, at a time when the market attaches particular importance to the capitalisation level of banks, regardless of the actual risk each is exposed to, it was decided to use net income to strengthen the Group's capital base rather than for the distribution of dividends, except for distribution to savings shares as required by the Articles of Association.

(millions of euro)

	2009	2008	2007	2006	2005
Net income	2,805	2,553	7,250	2,559	3,025
Dividends (*)	1,033	24	4,867	4,867	1,532
Pay-out ratio	**37%**	**1%**	**67%**	**190%**	**51%**

(*) Dividends in 2006 and 2007 were calculated with reference to shares outstanding at the date of payment. For 2006 the figure considers the share capital increase due to the merger of Sanpaolo IMI with and into Banca Intesa with legal effects as of 1 January 2007 and the distribution of reserves of 3,195 million euro. For 2007 the figure considers the treasury shares held as at 31 December 2007 swapped in January 2008 with Carifirenze shares.

Dividend yield

This indicator measures percentage return on the share, calculated as the ratio between dividends for the year and market price in the reference year. This return, determined on the basis of average annual stock prices, maintained satisfactory levels over time, also in view of financial market trends.

For 2008, only the indicator for savings shares has been provided, inasmuch as, as stated above, it was deemed appropriate to choose to enhance the Group's capital base rather than distribute net income.

(in euro)

	2009	2008	2007	2006	2005
Ordinary share					
Dividend per share	0.080	-	0.380	0.380	0.220
Average stock price	2.569	3.834	5.579	4.903	3.857
Dividend yield	3.11%	-	6.81%	7.75%	5.70%
Savings share					
Dividend per share	0.091	0.026	0.391	0.391	0.231
Average stock price	1.916	3.441	5.309	4.620	3.550
Dividend yield	4.75%	0.76%	7.36%	8.46%	6.51%

Ratings

In 2009 all ratings assigned to Intesa Sanpaolo remained unchanged from the end of 2008. On 12 March 2009, the international rating agency Standard & Poor's revised the outlook from stable to negative.

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-1	A-1+	F1+
Long-term debt	Aa2	AA-	AA-
Outlook	Stable (*)	Negative	Stable
Financial strength	B-	-	-
Individual	-	-	B
Support	-	-	1

(*) Debt outlook is stable, financial strength outlook reviewed from stable to negative on 18 June.

Other information

As provided for by article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group.
In addition, please note that:

– the list of Group companies and subsidiaries as at 31 December 2009 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10).
– the Notes to the consolidated financial statements also contain (Part E – Information on risks and the relative hedging policies – Section 1) information concerning obligations under art. 36 of the Market Regulation with respect to subsidiaries incorporated under and governed by the laws of non-European Union countries;
– information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the consolidated financial statements. In particular, details on Parent company's and subsidiary companies' shares held by Supervisory and Management Board Members and Parent company's General Managers and in aggregate by other Key Managers, and other individuals pursuant to art. 79 of Issuers' Regulation 11971/99, are provided in Part H of the Notes to the consolidated financial statements;
– a detailed breakdown of the compensation paid to Supervisory and Management Board Members and to the Parent company's General Managers and, in aggregate, to other Key Managers (art. 78 of Issuers' Regulation 11971/99 and subsequent amendments), as well as the stock option plans reserved to Supervisory and Management Board Members, General Managers and Key Managers is provided in Part H of the Notes to the Parent Company's financial statements;
– information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo pursuant to art. 123-bis of the Consolidated Law on Finance is provided in a separate document "Corporate Governance Report and Information on Ownership Structures", approved and published together with these financial statements and available for consultation from the "Governance" section of the Bank's website at: group.intesasanpaolo.com;
– in a like manner, the public disclosure as at 31 December 2009 concerning Basel 2 Pillar 3 ("Pillar 3") contained in a special separate file, is approved along with these financial statements and may be consulted on the Bank's website at the address indicated above.

Social and environmental responsibility

In a persisting global financial and economic crisis involving the risk of repercussions, also in terms of reputation, on the entire banking system, Intesa Sanpaolo has aimed to strengthen its CSR (Corporate Social Responsibility) management model so that social and environmental responsibility issues are considered more than ever part of normal business activities.

The Code of Ethics, which expresses the corporate identity and formulates the principles for relations with all the Bank's stakeholders – employees, customers, shareholders, suppliers, the community and the environment – has been extended to include explanations that render the business conduct criteria even more transparent with regard to remuneration, particularly for top management, and in more general terms regarding personnel as a whole.

The Corporate Social Responsibility Unit has completed its programming of tools for monitoring, on the one hand, the quality of relations with stakeholders in terms of effectiveness of the projects and activities implemented and reported in the Social Report, and on the other hand the efficiency of company organisational processes to guarantee implementation continuity of the Code of Ethics principles. The two verification dashboards apply the methodologies of two different companies specialised in these matters: AccountAbility 1000 (AA 1000, developed by INSEA, the Institute of Social and Ethical Accountability), which defines the scope, method and techniques for stakeholder engagement in the Bank's activities, and Vigeo – the largest extra-financial analysis rating agency in Europe – which assesses business effectiveness and commitment in social responsibility terms. The dashboard results will provide a constantly clear picture of the risks and opportunities of the Bank's commitments to its stakeholders. The results of this project will lead to the formulation of an increasingly impartial plan of the improvement objectives set by the Social Report and to the fine-tuning of a plan for the constant monitoring of priority areas.

Action also continued in 2009 to provide the company's CSR Contacts – a network of around 60 staff working in both internal Department offices and the Banks in Italy and abroad – with tools to simplify their interaction and communications. During the annual meeting organised in collaboration with the Training Department, the CSR Unit, which provides guidance and support to the CSR contacts, presented a new web-based communications tool – the social network – to share the more important projects, new ideas and information on social responsibility issues.

Regarding the dissemination of CSR culture within the company, continuous collaboration with the Training Department has also led to the creation of a specific distance-learning course, now available in the training module catalogue on the Intranet. The course has been taken by approximately 31,000 colleagues.

Certain CSR activities specifically involved a number of the Group's International Subsidiary Banks. The initial assessment stage has been completed by a specialist consultancy, which verified the consistency of local activities with the principles expressed in the Code of Ethics. This survey was conducted at the Croatian bank Privredna Banka Zagreb, at Banca Intesa in the Russian Federation and at the Egyptian Bank of Alexandria. The results were used to highlight the strengths and any critical points to be resolved in the improvement plan.

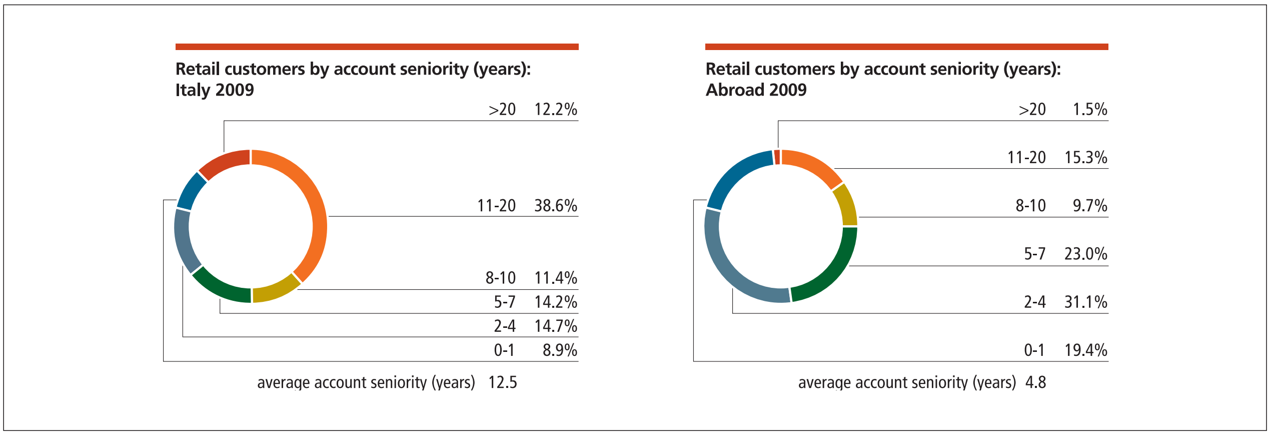
In 2009 all international subsidiaries also implemented a new policy that excludes political party funding for sponsorships and donations. As regards supplier relations, the Ukrainian bank – Pravex-Bank – was the first to adopt a new policy which for the selection process and in relations calls for, amongst other things, application of the transparency and equal opportunity principles established in the Code of Ethics.

Intesa Sanpaolo's efforts aimed at pursuing its transparency and responsibility commitments have achieved prestigious acclaim. At the Oscar di Bilancio event (Annual Report Oscar Awards), the FERPI – Italian Federation of Public Relations – honoured Intesa Sanpaolo with the Special Award for Corporate Governance. In the environmental context, the Green Globe Banking Award included the Bank among the most deserving for its environmentally sustainable best practices, and Legambiente placed Intesa Sanpaolo in the "excellence" class at the ninth edition of the "Premio all'innovazione amica dell'ambiente" (Friends of the Environment Innovation Award) for its commitment to reducing energy consumption and related environmental impact. The annual "Best Employer of Choice" survey by Cesop Communication - Italian leader in the business communications services sector for the recruitment of graduates and young professionals - for the second year running recognised the Intesa Sanpaolo Group as the most coveted workplace for Italian graduates. Lastly, in January 2010 Intesa Sanpaolo was the only Italian company to be included in the "Global 100 - 2010", the annual classification of the top 100 most sustainable companies at worldwide level prepared by Corporate Knights, a prestigious Canadian magazine specialised in clean capitalism.

Relations with stakeholders

Customers

The Bank's key commitment is to guarantee that all customers – households, professionals, small enterprises and corporates – receive the best possible quality products and services, financial and advisory support for their lifelong planning, maximum protection for their investments and business growth support and innovation, all based on a relationship of trust and long term continuity.

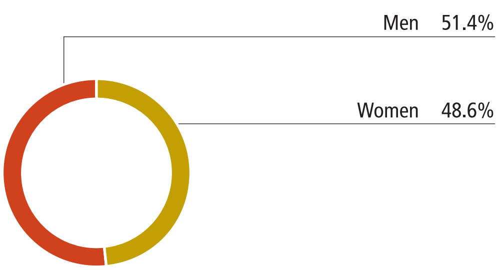


During 2009, in a macroeconomy in which businesses and households continued to feel the impact of the crisis, Intesa Sanpaolo remained true to its commitment to favour growth and to guarantee wider access to credit facilities.
For retail customers, the year focused particularly on involvement and listening to demands, needs and any criticism customers might have, both through constant cooperation with the consumer associations, with the aim of strategically integrating their claims to improve quality, transparency and function of the products offered, and through numerous customer satisfaction surveys conducted by the Bank in Italy and abroad. The simplification and innovation of the product range continued, and the focus on service quality, listening tools and the capacity to offer professional advice based on the customer's real needs were also strengthened.
The various means of protection and flexibility adopted allow customers to suspend instalments, alter the rate and duration of a mortgage and reschedule their repayment plans according to their changing financial and everyday needs. Loans dedicated to young people, even with non-standard employment contracts, to students, pensioners and workers temporarily laid off have offered wider access to credit and sustained the needs of people in difficulty.
2009 was also characterised by the Bank's commitment to sustain the national economy, with a constant watch on local circumstances and on small and medium enterprises, which form the driving force of our economy and which are suffering the negative effects of the unfavourable national and international economic situation.
In July Intesa Sanpaolo signed an agreement with "Confindustria – Piccola Industria" to guarantee credit continuity for the production system, ensuring sufficient liquidity to companies to overcome these difficult times and to endorse action to strengthen business capital, also with a view to improving the rating. In early August, the Bank was party to the agreement signed by ABI, the Government and trade associations for deferring repayments of SME debts to the banking system. Other important agreements were signed with Confcommercio in support of small enterprises operating in the commerce, tourism and service sectors, with Confagricoltura in support of SMEs in the agro-food chain, and with Confartigianato, CNA and Casartigiani. Overall, several billion euro were provided to the production system.
During the year progress was made with the plan to renew the range of products and services offered to business customers. Development activity concentrated mainly on extending the product range in support of current assets, to improve the capital structure, encouraging the recapitalisation of undercapitalised businesses and the updating of partnership agreements with events organisation companies, the Cassa Depositi e Prestiti, the EIB, SACE and hundreds of Credit Guarantee Consortia throughout the country.
The Banca dei Territori model, whose difference lies in its special mission to sustain development of the local economy and contribute to social progress in its reference environment, has facilitated contact with local areas and community support in favour of households and SMEs.
For the large and medium-sized enterprises, the organisation model adopted by the Corporate and Investment Banking Division targeted a central logic for relations and partnerships. A team of experts, liaising closely with the relations manager, works to define a product customised to the specific needs of customers in Italy and abroad. The aim is to consolidate long-term relations, guaranteeing excellence in service terms that is able to anticipate the expectations and future needs of businesses. In this context, to improve awareness of the sector trends and provide tools to assess risks and action opportunities, the team plays an important role in the "sector round tables", periodic meetings between teams specialised in the various industries. From July 2009, to improve perception of customer needs and strengthen relations, two new players participate in the round tables: a member from industry and, for the more strategic sectors, a consultancy able to offer a visualisation of future strategies. The work of the "Polo di Padova" also continued, its specialist skills providing support to businesses in internationalisation processes and mentoring their penetration in the international markets.

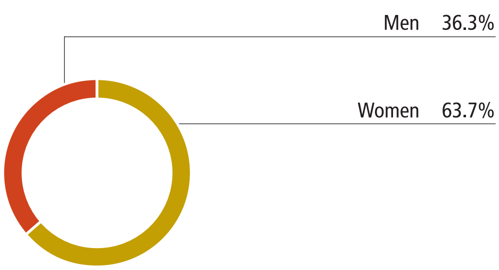
During the year the Corporate and Investment Banking Division increasingly focused on economies targeting growth, internationalisation and innovation. For this purpose it set up a dedicated department that acts as an innovation observatory and develops close relations with academic spheres and research centres. The first project launched was the "Start-up Initiative", which demonstrates Intesa Sanpaolo's commitment to step beyond support merely in terms of current asset funding and credit facilities. The aim of the initiative is to bring together innovators and lenders through training, selection and presentation to investors with a view to offering new chances to find the means to grow and to enter the field.
Venture capital funds are a further development tool. In this context "Atlante Venture", targeting SMEs in the technology, process and service innovation sectors, and "Atlante Venture Mezzogiorno", focusing specifically on the southern regions and addressing businesses introducing digital technology for process and product innovation, have been set up.
With regard to support for the Public and Private sectors participating in the construction of large infrastructures and the improvement of public services, in 2009 Banca Infrastrutture Innovazione e Sviluppo granted loans amounting to 4.2 billion euro. Among the many high social and environmental value projects in Italy and abroad there are two points of excellence: in Montalto di Castro the largest solar farm in Italy and one of the largest in Europe, and in Pavia the first National Centre of Oncological Hadron Therapy in Italy and the third Centre in the world able to treat oncology patients using this state-of-the-art technology.

Employees
With regard to this stakeholder, in a general context of strong economic crisis, 2009 focused particularly on employment, simplification and diversity.
The Group recruited 4,600 staff (+2,453 in Italy and +2,147 abroad), continuing its investment in the future through the introduction of young resources, in compliance with the Business Plan objectives that envisage a structural decrease in labour costs.
The number of women increased overall to 48.6% in Italy (+0.6% on 2008) and 63.7% abroad (+4.1% on 2008), these figures also mirroring the prevalence of female recruits (58.6% of total recruitments).

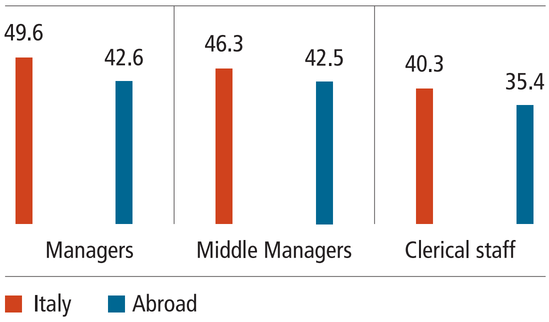
Breakdown by gender: Italy



Breakdown by gender: Abroad



Average age of employees by category



	Italy	Abroad
Non-permanent contracts	1.3	5.1
Permanent contracts	94.7	94.7
Apprenticeships	3.2	0.2
New recruits	0.8	0.0
No. of temporary contracts (supply contracts and project contracts for Italy)	331	195

The staff turnover in Italy was -2.9% (-3.2% in 2008): 4,500 leaving the company and over 2,450 joining the company. The international subsidiaries recorded a turnover of -9.8% (4.0% in 2008) as a result of the particular economic situation and a reorganisation which, amongst other things, included the reduction of non-strategic branches.

	Recruitments	Resignations /Dismissals	Turnover rate
Italy	2,453	4,504	-2.9%
Men	*1,067*	*2,563*	*-4.0%*
Women	*1,386*	*1,941*	*-1.6%*
Abroad	2,147	5,656	-9.8%
Men	*837*	*1,890*	*-8.2%*
Women	*1,310*	*3,766*	*-10.6%*

During the year there was a significant reorganisation of the 6,000 branches of the 25 banks forming Banca dei Territori, simplifying decision-making processes and implementing decentralised levels of independence.

The upgrading of working tools and support media continued to facilitate access to information and consultation of the regulations.

A joint operation - involving members of several of the Bank's departments providing cross-sector experience and a variety of contributions - led to the setup of the Gemma Project, which has begun action to promote diversity in business, communications, female leadership, development and training, and work-life balance, as a result of which the various Bank departments have launched firm initiatives.
Training followed guidelines geared towards access by everyone, not only in the classroom, but also through diversified learning techniques, maintaining orientation on the values of the Code of Ethics and encouraging listening and discussion among colleagues. Innovative integrated methodologies have been developed, targeting the maximisation of efficiency with support for the entire Group in terms of skills enhancement and dissemination of the Bank’s culture and identity.

Training	Italy	Abroad
Training days during the year (classroom + distance learning)	824,701	111,494
Training days per employee	11.9	3.4

With the aim of placing the individual in an increasingly central position in development and management policies, the practices to implement its guiding principles - Merit, Equality and Sustainability - have been strengthened. Also taking into account the various listening initiatives, review of the performance appraisal system has begun, involving both appraisers and those subject to appraisal, to fine-tune the main merit consideration tool and aims to implement the pilot stages in 2010. Review of the managerial skills valuation method has also been completed with a view to the acceptance of roles with a higher degree of responsibility.
In Italy, dialogue with the Trade Unions was intense in terms of quality and results.
The standardisation of the Bank’s regulations, launched after the 2007 merger, culminated in the Pay Agreement of 29 January 2009, which guarantees equal treatment for all staff, safeguarding career path continuity also in the event of transfers between posts, departments or even Group companies.
Despite the country’s economic slump, the agreement of 30 September 2009 measured the Group’s overall positive results, establishing a comparable company bonus.
Talks with the trades unions also concentrated on strategic issues, later developed further and, after thorough negotiation, included in the agreement of 2 February 2010 which envisages support for employment and for the areas of the country hardest hit by the crisis, and the stabilisation of non-permanent contracts for those maturing at least nine months’ service by the end of the second half of 2009. In this respect, 59.3% of non-permanent recruitments were re-employed on expiry of their contracts during 2009.
More space is gradually being given to promoting health and safety issues.
The “Gusti giusti” initiative launched a concrete plan of action to disseminate awareness among staff of correct dietary habits, also via an information campaign targeting all staff and involving support from doctors and dieticians.
Health matters were included in a new risk management model that takes into account individuals and gives staff a central role according to elements of specific subjective characteristics: gender, age, language, culture, customs.
Consistent site inspections of the workplaces continued, also to check for the presence of asbestos and radon, and tests of the air quality in offices were carried out. In addition, medical supervision was performed by competent doctors based on a single, updated health protocol for all Group companies.
Particular focus was placed on post-robbery support involving both primary care and follow-up for Banca dei Territori staff making use of counselling that proved useful and satisfactory, given that second level care was necessary only in a very small number of cases.

Health and safety issues, also of a physical nature, were also sustained by intensive commitment to training, providing courses for colleagues of various grades in first aid and emergency activities. The training days at Group level numbered almost 9,500 (just under 8,500 in Italy and over 1,000 abroad), with an overall cost of 530,000 euro incurred (507,000 euro in Italy and 23,000 euro abroad).
In terms of physical safety, significant commitment led to implementation of the "Global Security System", an innovative branch protection system which, retaining the traditional security devices, also offers remote surveillance and pilot testing of the new "Branch Entrance Steward Control" service provided by specialist security operators.
Staff suggestions continued to be taken into account to identify corrective actions and for useful indications for promoting safe conduct and simplifying the safety regulations, which in 2009 were standardised for the entire Group.

Accidents throughout the year	**Italy**	**Abroad**
Accidents throughout the year	997	381
Accidents inside the company in the year	*283*	*91*
Accidents outside the company in the year	*714*	*290*
Percentage of accidents out of the total number of employees	1.4	1.2

Progress was made with the climate analysis, also gradually extended to the International Subsidiary Banks. The Intranet's role as point of reference was enhanced, also through the Web TV, for real time information on the life of the Bank, for orientation purposes and access to the contents, tools and applications needed for everyday professional activities and to make use of the many Bank services offered to staff. Mosaico, issued every two months, consolidated and expanded its role as the Group's internal newsletter containing first-hand reports on projects, initiatives and activities.

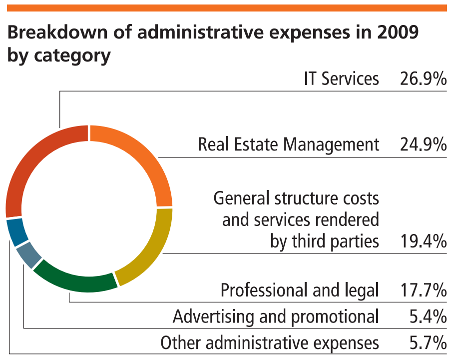
Shareholders

Activity in 2009 was marked by keen attention to the factors that the market considers significant in the current crisis: solidity, liquidity and risk profile. Moreover, in a macroeconomic environment in which the real economy, businesses and households continue to be affected by the crisis, Intesa Sanpaolo has remained faithful to its commitment to favour the growth of the country and support the economic and social parties that are the foundations for recovery and growth.
The 2009 results remain focused on sustainable profitability, based on a business model specifically for commercial banking which can fully seize upon the advantages offered by the Group's extensive customer range and the available operating capacity, benefiting from corporate policies geared towards long-term relations.
In 2009, the Group maintained its commitment to provide all its stakeholders with transparent, prompt and easy-to-access information. This information was made available and useable quickly, easily and economically through a number of channels. Internet, conference calls via a toll-free number, brochures, free distribution of financial statements on request via the Bank's website. The Investor Relations section of the website was supplemented with new, well-organised content to provide stakeholders with more information. To aid the creation of sustainable long-term value, regular and frequent meetings were held with the financial community that consolidated lasting relations based on trust.
Lastly, during 2009 Intesa Sanpaolo's presence continued in a number of leading European indexes that select securities not only for their market performance, but also for the commitment to social responsibility in companies' conduct standards:

- FTSE4Good – FTSE is an independent company owned by the Financial Times and the London Stock Exchange. For admission to the FTSE indexes, companies must: be committed to environmental responsibility; develop positive relations with stakeholders; support and aid universal human rights
- ASPI Eurozone monitors the performance of 120 Eurozone companies that are leaders in terms of sustainability. The admission criteria are: relations with and impact on the outside community and international society; the level of corporate governance; sustainable customer and supplier management; health and safety in the workplace and the environment; sustainable human resource management and observance of international employment standards
- Ethibel Investment Register: Ethibel is a leading European research organisation for social and environmental ratings. The Investment Register comprises over 370 companies that have proved to be the most advanced worldwide in terms of sustainability.

In 2009, Oekom Research – one of the leading rating agencies for sustainable investments– awarded Intesa Sanpaolo "prime" status (a status that recognises above-average social and environmental commitment in a company's own sector).

Suppliers



The focus on efforts to eliminate wastefulness and to promote purchasing conservatism also continued in 2009. The post-merger integration process has now finalised procurement, renegotiation and supply contract standardisation procedures. This has further strengthened relations with our suppliers and the entire activity was completed in compliance with transparency and equality principles. These principles also formed the basis of the management and enhancement of the supplier list, to which everyone has access via the Group's website.
Intesa Sanpaolo has set up an electronic procurement platform, the model for which is now consolidated, that guarantees savings on various fronts, offering cost and materials optimisation through scrupulous replenishment handling.
Social and environmental responsibility aspects have become part of our supplier selection criteria. Likewise, environment-friendly elements have been included in the technical specifications to be met in the procurement of technological equipments.

Environment

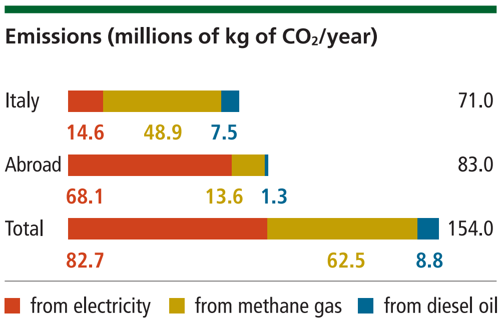
Intesa Sanpaolo has for some time sought to promote an environmental protection approach, implementing integrated initiatives regarding energy efficiency improvements and gradually increasing use of renewable source energy.
As a result of this commitment the Group became a recognised Official Partner of Sustainable Energy Europe 2005-2011, a European cooperation network targeting the achievement of European energy policy objectives. This commitment received new stimulus with the signing of the agreement with the Italian Ministry for the Environment in July 2007 to intensify cooperation in terms of energy savings and the promotion of renewable source energy in Italy.
The Group's electricity consumption in Italy represents approximately 20% of the credit and insurance sector's entire consumption (source: Terna 2008).

Energy consumption according to source (million kWh)	**Italy**	**Abroad**	**Total**
Thermal energy	273.2	63.4	336.6
Electricity	520.1	119.0	639.1
Hydroelectric-powered electricity from renewable sources	*450.0*	*0.1*	*450.1*
Energy from other renewable sources	*29.2*	*0.3*	*29.5*
Cogeneration	*11.7*	*0.0*	*11.7*

Energy consumption according to source (tep/1000)	**Italy**	**Abroad**	**Total**
Thermal energy	23.5	5.4	28.9
Electricity	124.8	28.6	153.4

Whilst at national level electricity consumption (in TOE) for the service sector is around 50% of total energy consumption, given the high level of computerisation and the use of air-conditioning systems (even though many branches adopt the system of low environmental impact electrical heat pumps), the incidence of electricity consumption in Intesa Sanpaolo is approximately 84%.
Intesa Sanpaolo's commitment to energy saving in general led to a further 1.5% decrease in energy consumption (in TOE).
Nationwide a 5.4% decrease in electricity was recorded (based on an essentially stable reporting scope) and an increase in heat energy of 17%, though with a lower incidence, attributable to both weather conditions (especially in the last few months of 2009) and to more accurate monitoring at Group level.

Abroad, taking into account the 11% increase in office space, an increase of 5.3% was recorded for electricity consumption and a 7% decrease in heat energy, values affected by gradual enhancement and fine-tuning of the monitoring methods.
In Italy in general, defined frequency consumption monitoring (more frequent for higher-consumption sites) has further improved through the use of more indicators and special software that has streamlined the definition method for unit parameters and allows the identification of targeted management efficiency action, especially for critical sites. The first results from the fully operative system will be seen next year.
Following completion of the IT integration, the optimisation procedures for night-time and non-business day switch-off of branch computers and switch-on at the start of normal working hours have been extended. This action represents a significant quota of the savings achieved.
On 132 Group sites (due to be extended by a further 29) a UNI EN ISO 14001 standard Environmental Management System is in operation, with the aim of putting environmental guidelines into practice in compliance with the Bank's Code of Ethics and with current regulations. This system provides the Bank with a quality reference to meet fully all its commitments regarding protection of the environment and its resources. Constant monitoring and environmental performance analysis allows updating of ongoing improvement objectives.
As a result of more careful management and the newly implemented high quality lighting systems technology (electricity consumption for branch lighting accounts for 20-25% of the total), 320 sites met the qualification for the European Greenlight Programme, which considers the Bank as a centre of excellence in the sector.
During 2009 the Group increased its use in Italy of electricity from renewable energy sources, reaching approximately 92% of the Bank's total electricity consumption. This allowed the Group to avoid around 240,000 metric tons of CO_2 emissions (almost 77% of the Group's potential emissions). This increase is particularly positive as it was achieved despite the reduction in electricity consumption following action taken to improve energy efficiency, in both management and investment terms, and to limit energy consumption.



The Bank promoted a variety of initiatives in support of environmental protection, for example the nearly completed plan to replace cathode ray monitors with LCD monitors, and the launch of a project to renew office machines with low-energy models are particularly important. Among the criteria considered, in addition to the investment cost the Group has introduced related energy costs for a 5-year period and the environment-friendly features of the product (including third party sample testing in compliance with the Energy Star international certification scheme).
Fittings in renovated or newly-built sites have been arranged with energy savings in mind, indirectly "certified" by the 55% tax deductions recognised for works to improve energy performance.
At the Moncalieri Accounting Centre, the Group's main ITC site, the first stage of the building and installations renovation (in particular the new facade and insulated roofing, new lighting and airco systems) is almost complete, and this also aims to achieve significant improvements in energy efficiency.
The overall costs incurred for environmental protection have exceeded 55 million euro.
Training and information activities were also organised to increase awareness of the importance of these topics through a variety of communications tools made available to staff.
Regarding compliance with environmental regulations, there have been no reports of damage to the environment from the Bank's operations, or significant fines related to such events.
With regard to paper consumption, over 40% of purchases originate from certified forests and, for more consistent purchases in general, among the selection criteria focus points were introduced with regard to the environment friendliness of the product. In terms of reducing consumption, the most important initiative is the "Meno fogli, più foglie" (Fewer Pages, More Leaves) campaign promoting the online reporting service among customers and colleagues, which offers account-related documents to be received in electronic format. Along with other initiatives, this has avoided not only an estimated consumption of 450 metric tons of paper but also CO_2 emissions of over 1,000 metric tons per year.
For World Environment Day the Group began collecting all unused machines and materials from the branches, recovering around 22,000 items (12,000 office machines, 10,000 toner cartridges, etc.).
Regarding waste, the Bank launched a new full service pilot project for the efficiency maintenance of photocopiers and printers, which also involves the recovery of used toner cartridges for possible reuse. This initiative has considerably reduced toner and printer ribbon waste.

In Intesa Sanpaolo the management of mobility-related aspects is coordinated by a Mobility Manager, operating from the Human Resources Department since July 2009 and whose goal is to reduce critical points generated from irrational use of transport. The positive effects of the initiatives implemented are in favour of both simplifying individual travel needs (work-related and personal) and reducing their harmful effect on the environment.
These activities led to the publication at the end of 2009 of the Home-to-Work Travel Plans, the first study of its kind for the Group - for areas with a high concentration of employees – cooperating with the local and provincial communities to invest in more sustainable mobility.
Area Mobility Contacts were recently appointed and, in concert with the Group Mobility Manager, will be responsible for area-by-area implementation.
Lastly, agreement has been reached on the preparation of the second corporate mobility analysis that will offer guidance on action to be taken in the next three years.
With regard to action to limit the environmental impact of customers, in 2009 the offer addressed to households and SMEs, and the financing of large industrial projects, continued with the aim of responding to the needs of customers wishing to invest in energy savings and renewable resources. Financing specifically for energy savings and renewable source energies continued intensively again in 2009, the product mix including loans for home and business installations or the direct financing of large systems.
The environment-friendly loan for households, "Prestito Ecologico" was reviewed, increasing the amount offered and improving the terms. Targeting individuals, it can be used to finance the installation of photovoltaic systems and thermal solar panels in addition to the purchase of environment-friendly vehicles and home renovation. During the year over 400 loans were granted for a total of more than 6.8 million euro.
"Energia Business" loans are designed for small businesses and freelance professionals intending to install a photovoltaic system, and offers up to 100% financing of the total amount for a maximum of 500,000 euro per loan. In 2009, 244 loans were granted for a total of almost 125 million euro.
During the year Intesa Sanpaolo launched important initiatives for the agro-food sector through 'Agriventure', the Group's new competence centre for the development of products and financial services for the agro-food sector and the promotion of more innovative enterprise projects in the supply chain. The department's business targets companies operating in the agriculture, breeding, forestry, fishing, biomass and farm tourism sectors, in addition to companies in the agricultural production transformation and distribution industries, and to producer cooperatives and consortiums. In the agricultural sector the Bank granted loans to companies and small businesses for over 182 million euro.
In support of companies intending to use renewable sources to produce energy or directly install a photovoltaic system, the financing granted during the year totalled more than 125 million euro. In leasing terms, in 2009 contracts were stipulated through Leasenergy for a total of over 296 million euro in the biomass, photovoltaic, wind energy and hydroelectric energy sectors.
With regard to support for business owners planning renewable energy investments, the Mediocredito Italiano Energy Desk continues to provide a full service ranging from credit aspects to advice on the new technologies ideas that now invest in new energies.
Furthermore, to encourage the development of products for the photovoltaic sector, Intesa Sanpaolo signed important trade agreements with leading companies, including Enel.si (the Enel green power company) and Schüco Italia. The agreements allowed the Bank to offer customers an excellent quality of professional support based on the Bank's experience in arranging special ad hoc financial solutions, aided by the specialist skills of these partners.
The Project & Industry Specialized Lending Division, whose potential customers are large companies and infrastructures or private equity funds, also operates in the photovoltaic sector. In both cases Intesa Sanpaolo handles the financial aspects of the project, without forgetting the strictly industrial aspects of the systems. Another course of action in the photovoltaic field is via Equiter, the Group company that invests its capital in companies and projects for nationwide developments in four strategic sectors: utilities, infrastructures, public property and the environment. In 2009 Equiter continued its management and development of the special purpose vehicles in which it has minority equity investments: Enerpoint and Green Initiative Carbon Assets (GICA) since 2007 and Enerpoint Energy since February 2008.
Operations in the photovoltaic sector through Enerpoint were particular dynamic: small, medium and large systems were sold for a total of over 22 MWp. In 2009 GICA enhanced its portfolio of CDM projects (Clean Development Mechanism, one of the flexible mechanisms envisaged in the Kyoto Protocol) located in various parts of the world, and contractualised more than three million metric tons of CO_2.
Since 2006 Intesa Sanpaolo has adopted the Equator Principles – principles which, based on World Bank standards, constitute the project finance guidelines for monitoring the potential social and environmental risks intrinsic to the projects.
After holding a dedicated training course targeting a fairly wide population, ending in 2008, an interdepartmental work group was set up to proceed with implementation of the Principles into the Bank's procedures. 2009 saw active participation from all the departments involved, leading to a draft Operating Guide with a range of support documents. The Guide outlines a step-by-step process that will be incorporated into the Group Regulations this year.

Community

2009 saw the continuation of close relations with the areas in which Intesa Sanpaolo operates, providing support for initiatives that promote social and cultural growth, in favour of cohesion and the creation of value and well-being for the community.

With regard to the Third Sector, activities have continued through a dedicated business unit, Banca Prossima, targeted to social enterprise and civil or religious non-profit organisations whose business purpose is the creation of social value. At the end of 2009, Banca Prossima had a customer base of more than 7,000 with over 200 million euro in loans and total deposits of 647 million euro.

In addition to providing innovative products and services in support of its customer segment, Banca Prossima has operated through the "Fund for the Development of Social Enterprise", a special fund allowing the Bank to help types of entities and projects that would otherwise have no access to credit. As at 31 December 2009, 430 accounts were covered by the Fund for a total of 34.3 million euro. These are customers which, based on standard criteria, would be considered borderline cases in terms of bankability. Established with capital of 10 million euro, at the end of 2009 the Fund received a further injection of 14 million euro of which 31.5% has been used.

During 2009, Banca Prossima and Lombardia region voluntary workers launched the joint project In.Volo. (*Iniziativa per il Volontariato*) to facilitate access to credit and to support the growth of voluntary organisations through the setup of regional guarantee funds by the leading local voluntary workers' associations (Co.Ge. and Coordinamento CSV). Under this project, loans for approximately 500 thousand euro were granted during the year.

The Group Banks are active in a series of projects in the microcredit segment, together with the Bank's shareholder foundations and local ONLUS associations. Among these, the Microcredito Sociale project operating jointly with the Compagnia di San Paolo continued its work in 2009, based on a partnership between the Bank, the banking foundation and non-profit associations. Compagnia di San Paolo contributed 2 million euro, 1.6 million of which for the guarantee funds and the remainder for operations management and monitoring. The aim of the project is to offer growth opportunities to those intending to develop micro-business or independent activities. Every organisation involved has set up a guarantee fund of 400,000 euro and, in addition to the role of guarantor, assesses and processes the plans submitted, and works alongside the beneficiaries in development of their plans. The Bank, on the other hand, has the task of completing the processing and granting the credit facilities at particularly beneficial rates, also accepting a part of the credit risk.

In addition, the Group participated in the "Prestito della Speranza" initiative promoted by the Italian Episcopal Conference (CEI) and by ABI (the Italian Banking Association), which aims to support households in difficulty as a result of the economic crisis. The participating banks grant 6,000-euro loans at a preferential rate to numerous households in difficulty due to disability or illness, that have lost income as a result of the crisis but are willing to formulate an employment re-introduction plan or start up their own business. These loans are backed by a guarantee fund established by the CEI which covers up to 50% of any losses on the loans in question. The Group participated in the initiative both as lender and as manager of the guarantee fund through Banca Prossima. The Group also provided support in the setup of the VoBIS Association (Volontari Bancari per le Iniziative nel Sociale), whose members are former staff that offer their experience to the benefit of the community. With regard to the "Prestito della Speranza", VoBIS voluntary workers act as tutors for the families and as initial assessors of their needs in relation to the Group's banks.

With reference to the donations made by the Bank, 2009 saw the full application of the organisation and management model defined in the previous year to offer increasingly effective responses to the needs and demands of the community, consistent with the principles of the Group Code of Ethics and regulations envisaged in the Articles of Association governing such matters.

In particular, the Supervisory Board approved a defined Donations Plan that guided the management of requests for contributions throughout the year. The plan is based on the key principles of the individual and solidarity, with preference given to projects with a specific social impact and geared strongly towards the contribution being a complete gift, in such a way that the Bank's charity donations do not call for any form of return, either in terms of image or the commercial aspects.

The resources allocated to donations are divided between national and international in the traditional areas of social/environmental, religious/charity and cultural contributions.

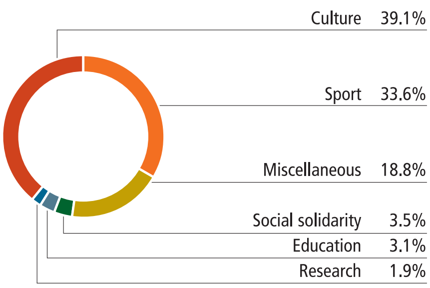
The next step will be to extend the model to the Group's banks that have an independent charity fund and already support various social and cultural initiatives. This process will be completed in 2010 and will allow Group guidelines to be established and disseminated, with appropriate balancing mechanisms between the need for independence of the banks operating in the field and the need for consistent central distribution policy guidance.

With regard to international solidarity, Intesa Sanpaolo and Fondazione Cariplo continued their commitment to Project Malawi, a humanitarian initiative with the aim of helping to improve the general living conditions of the people, in one of the poorest countries in the world. In 2009 the project organisation partners – Comunità di Sant'Egidio, Save the Children, CISP (the International Committee for Populations Development) and the local scout associations MAGGA and SAM – implemented action in health, education, precautionary measures, orphan aid and microfinance, continuing initiatives envisaged in the second 3-year project plan due to end in October 2011. Of particular importance amongst these are the activities in progress or completed in the Blantyre pilot district, replicated to two new geographic areas of action (the Balaka and Lilongwe districts), in addition to the launch of further nutrition-related initiatives assigned to a new project partner, the Nutrition, HIV and AIDS Department of the Malawi Government, with which a formal agreement has been signed.

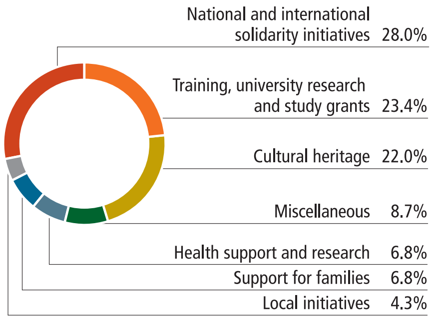
In the relationship between Intesa Sanpaolo and the local communities where the Group operates, activities concerning support and promotion of culture and knowledge play an important role, as do solidarity programmes and support for sports activities implemented through partnerships and sponsorships in support of third party projects. These initiatives,

that continued throughout the year, firmly express the active role of the Bank in the life of the country and are a contribution towards its social and civic – as well as economic – development and an opportunity to create and consolidate constructive relations with the different situations encountered.
The Bank’s commitment is based on the awareness that such action cannot be sporadic, but has to be part of a coherent, constant, well-planned concept that renders it truly effective. General guidelines have also been defined for sponsorship at regional/local level in common areas, consistent within the Group.
Between donations and sponsorships, approximately 55 million euro was distributed in 2009.

Sponsorships



Breakdown of donations



Lastly, the initiatives implemented in support of the protection and safeguarding of Italian historic and artistic heritage continued, consolidating the Bank’s role as a point of reference for institutions promoting the country’s cultural heritage. The two museums in Vicenza and Napoli have gradually become more important in their areas, offering the public a more extensive, systematic enjoyment of the Bank's art collections - a unique heritage that is the result of a series of collections, each connected to the history and traditions of patronage peculiar to the banks that have become part of Intesa Sanpaolo.
In respect and continuity of the long tradition of editorial initiatives promoted by banks that have joined the Group, the commitment continues to implement and disseminate studies in art, music, history and economics.

Economic value generated and distributed

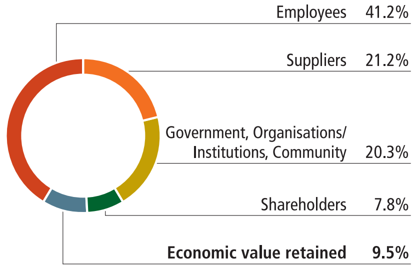
The economic value generated by the Intesa Sanpaolo[1] Group in 2009 was 14.9 billion euro. This amount expresses the value of the wealth produced, most of which is distributed among the various parties (stakeholders) with which the Group interacts in various ways on a day-to-day basis. In particular:

– employees benefited from around 41% of the economic value generated, for a total of 6.1 billion euro. This item includes 111 million euro (before tax) relating to staff exit plans. In addition to staff pay, the total also includes payments to the network of financial advisors;
– suppliers received approximately 21% of the economic value generated, for a total of 3.2 billion euro in payment for goods and services. This item includes integration costs amounting to 150 million euro (before tax);
– the government, organisations and institutions saw an inflow of resources amounting to 3 billion euro, around 20% of the economic value generated and for the most part referring to income taxes for the year. Group companies used 27 million euro to the benefit of the community, through the allocation of profits to charities and as donations and gifts;
– approximately 8% of the economic value generated was allocated to shareholders, largely in terms of the proposed dividend, for a total of over 1 billion euro;
– the remaining 1.4 billion euro was withheld by the corporate system. This refers to prepaid and deferred taxes, amortisation, provisions for risks and charges and retained earnings. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

[1] The economic value generated is calculated in accordance with new ABI instructions issued in March 2010, consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Regulation 262.

Economic value	millions of euro	%
Economic value added	**14,907**	**100.0%**
Economic value distributed	**-13,495**	**90.5%**
Employees	-6,138	41.2%
Suppliers	-3,172	21.2%
Government, Organisations/Institutions, Community	-3,019	20.3%
Shareholders	-1,166	7.8%
Economic value retained	**1,412**	**9.5%**

Economic value added in 2009



Main risks and uncertainties

Information on risks and uncertainties the Intesa Sanpaolo Group is exposed to is provided in this Report on operations and in the Notes to the consolidated financial statements.

The risks associated with the trends in the global economy and financial markets are discussed in the introduction to the Report on operations, in the chapter on the macroeconomic scenario and the following chapter on the forecast for 2010. The assumptions on which the valuations and forecasts are based are described in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

Capital stability is dealt with briefly in the introduction to the Report on Operations, while a more detailed discussion can be found in Part F of the Notes to the consolidated financial statements.

Financial and operational risks are detailed in Part E of the Notes to the consolidated financial statements.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm the statements made in the introduction, namely that they have a reasonable expectation that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2009 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

Forecast for 2010

As stated in the macroeconomic analysis, 2010 is expected to be a year of recovery, buoyed by expansionary monetary and fiscal policies, but associated with rising unemployment, persistent surplus production capacity and prevailing disinflationary pressures. Gross domestic product will show relatively vigorous growth only in emerging non-European countries, commodities exporters and in the United States. The recovery in the eurozone, which enjoys less support from fiscal stimuli and intrinsically robust internal demand, will be minimal and highly uneven.
An increase in GDP, on the order of less than 1%, is also expected in Italy. The resumption of growth will be stimulated first by the performance of foreign demand and the inventory cycle and then by the consolidation of domestic demand.

Turning to the banking sector, in 2010 interest rates are expected to remain at historically moderate levels, albeit gradually rising. The expansionary monetary policy, with a refinancing rate of 1%, is expected to continue throughout most of 2010. The latter part of the year should witness a turnaround.
A gradual phase-out of extraordinary measures by the ECB and a progressive return to ordinary liquidity management should lead to a gradual rise in money-market rates, a prelude to official rate increases. This means that bank rates are expected to remain at the lows of late 2009 for a few months, to then begin an upturn around mid-2010, initially at a gradual pace but then to a more significant degree.
The absence of strong push to up rate should translate into a further slight contraction of the average annual spread between the return on loans and the cost of funding. However, the spread is expected to recover in the second half of the year.
The lending scenario is influenced by a variety of factors both short-term and structural in nature, the combined effect of which is a moderate performance at a markedly more contained level than before the crisis.
The relevant cyclical factors are low economic growth, which, first and foremost, affects the demand for credit by businesses, high unemployment, which influences household consumption choices and appetite for debt, and the emergence of non-performing positions, which is set to continue in 2010.
The structural factors are related to the process of revising the rules and institutions for the supervision of the industry at both a micro and macro level. The rules being defined render the context in which banks operate highly uncertain, although the direction of change has already been made clear, with prudential and capital requirements that are expected to become stricter on the whole.
In further detail, at a fundamental level 2010 is expected to witness a gradual recovery of credit consistent with a gradual improvement in the economic scenario, following on a 2009 that saw the change in loans to businesses reach negative territory. As in the previous year, average loan growth should be higher for households than for businesses.
In the future, direct deposits will continue to represent a strategic tool for banks that still aim to sustain their liquidity and funding profiles. Bank offerings should meet with the approval of households, which are still reluctant to take on risk. However, the low returns reached by the more liquid instruments will reinforce the trend towards renewed interest in instruments offering greater risk/return, such as asset management. Bank funding policies will also be affected by the wholesale market situation, which is expected to see an abundance of issuers.
In greater detail, it is expected that funding in 2010 will start with good growth rates, albeit slightly lower than before. It is likely that there will then be a more significant slowdown, owing in part to comparison with the high growth rates reported in 2009, consistent with a gradual return to normality for money and capital market conditions.
In the asset management industry, although there is some uncertainty, particularly regarding interest rate scenario, there is no reason to assume that the uptrend initiated in 2009 will be radically reversed in the near term: following on four consecutive annual deficits, inflows to funds should return to surplus levels in 2010.
Turning to the earning prospects of Italian banks, the expected further reduction in the spread and very modest loan growth could result in a moderate decrease in net interest income. This should be offset by a gradual recovery of other revenues, as already began to occur in 2009, owing to the improvement in the capital market situation. A recovery of fees and commissions, driven by expectations of positive asset management performance, should also have a beneficial effect on 2010.
Cost dynamics will remain under control, reflecting the shrewd policies enacted in this area by banks in recent years, as well as the full harnessing of synergies following combination into larger groups.
The cost of bad loans represents a significant critical issue for bank performance. Due to the traditional delay in the emergence of non-performing loans, aggravated by the foreseeable persistent difficulties experienced by businesses in a context of low economic growth, adjustments to loans will continue to have a significant impact on 2010 results.
Against the backdrop of a gradual improvement in the economic scenario with progressive positive effects for the banking industry, in 2010 the Intesa Sanpaolo Group will continue to implement consolidated measures aimed at preserving sustainable growth in the medium term: the development of activity based on a long-term relationship with the customer, the optimisation of efficiency – finetuning cost control and investments – and monitoring of credit quality, liquidity and capital base.
There are expectations for some improvement in the Group's operating income, through a recovery in net fee and commission income, stable net interest income and a decrease in operating costs compared with 2009, even after the

faster-than-planned cost reduction of the fourth quarter of the year. The cost of bad loans is expected to fall slightly compared to 2009. Recurring profitability is thus expected to improve with respect to the previous year. If the significantly lower merger and restructuring-related charges and capital gains on capital management measures nearing finalisation are considered, net income is also expected to exceed that recorded in 2009.

The Management Board

Milano, 19 March 2010

Certification of the 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 consolidated financial statements during 2009.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2009 was performed in the context of the reorganisation of corporate processes and IT systems consequent on the extraordinary integration procedures implemented in recent years. The assessment was based on methods defined by Intesa Sanpaolo consistently with the COSO and – for the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2009:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

Milano, 19 March 2010

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 on the Consolidated financial statements

Ernst & Young

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of and for the year ended December 31, 2009, comprising the balance sheet, the statement of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present the comparative data of the preceding year. As described in the explanatory notes, the Management Board restated the comparative data related to the consolidated financial statements of the preceding year, on which we issued our auditors' report on March 25, 2009. We have examined the methods adopted to restate the comparative financial data for the preceding year and the information presented in the explanatory notes in this respect for the purpose of our opinion on the consolidated financial statements as of and for the year ended December 31, 2009.

3. In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Intesa Sanpaolo Group for the year then ended.

4. The Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the Report on operations and the Corporate Governance Report and Information on Ownership Structures in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on operations and on the Corporate Governance Report and Information on Ownership Structures restricted to the information reported therein in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Corporate Governance Report and Information on Ownership Structures, are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as of December 31, 2009.

Turin, Italy, March 26, 2010

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

Intesa Sanpaolo Group
Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2009	31.12.2008	Changes	
				amount	%
10.	Cash and cash equivalents	8,412	7,835	577	7.4
20.	Financial assets held for trading	69,825	61,080	8,745	14.3
30.	Financial assets designated at fair value through profit and loss	21,965	19,727	2,238	11.3
40.	Financial assets available for sale	35,895	29,083	6,812	23.4
50.	Investments held to maturity	4,561	5,572	-1,011	-18.1
60.	Due from banks	43,242	56,371	-13,129	-23.3
70.	Loans to customers	374,033	395,189	-21,156	-5.4
80.	Hedging derivatives	7,008	5,389	1,619	30.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	66	3	4.5
100.	Investments in associates and companies subject to joint control	3,059	3,230	-171	-5.3
110.	Technical insurance reserves reassured with third parties	38	40	-2	-5.0
120.	Property and equipment	5,291	5,255	36	0.7
130.	Intangible assets	25,789	27,151	-1,362	-5.0
	of which				
	- goodwill	*18,838*	*19,694*	*-856*	*-4.3*
140.	Tax assets	7,320	7,495	-175	-2.3
	a) current	*2,072*	*2,752*	*-680*	*-24.7*
	b) deferred	*5,248*	*4,743*	*505*	*10.6*
150.	Non-current assets held for sale and discontinued operations	6,552	1,135	5,417	
160.	Other assets	11,785	11,515	270	2.3
Total Assets		**624,844**	**636,133**	**-11,289**	**-1.8**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2009	31.12.2008	Changes	
				amount	%
10.	Due to banks	43,369	51,745	-8,376	-16.2
20.	Due to customers	210,814	217,498	-6,684	-3.1
30.	Securities issued	185,243	188,280	-3,037	-1.6
40.	Financial liabilities held for trading	42,249	45,870	-3,621	-7.9
50.	Financial liabilities designated at fair value through profit and loss	25,887	25,119	768	3.1
60.	Hedging derivatives	5,179	5,086	93	1.8
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,513	1,236	277	22.4
80.	Tax liabilities	2,965	4,461	-1,496	-33.5
	a) current	*841*	*1,607*	*-766*	*-47.7*
	b) deferred	*2,124*	*2,854*	*-730*	*-25.6*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	9,723	1,021	8,702	
100.	Other liabilities	15,755	20,046	-4,291	-21.4
110.	Employee termination indemnities	1,374	1,487	-113	-7.6
120.	Allowances for risks and charges	3,420	3,982	-562	-14.1
	a) post employment benefits	*512*	*504*	*8*	*1.6*
	b) other allowances	*2,908*	*3,478*	*-570*	*-16.4*
130.	Technical reserves	23,582	20,248	3,334	16.5
140.	Valuation reserves	-430	-1,412	-982	-69.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	10,565	8,075	2,490	30.8
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-8	-11	-3	-27.3
210.	Minority interests (+/-)	1,090	1,100	-10	-0.9
220.	Net income (loss)	2,805	2,553	252	9.9
Total Liabilities and Shareholders' Equity		**624,844**	**636,133**	**-11,289**	**-1.8**

Consolidated income statement

(millions of euro)

		2009	2008	Changes	
				amount	%
10.	Interest and similar income	19,607	27,383	-7,776	-28.4
20.	Interest and similar expense	-8,370	-15,034	-6,664	-44.3
30.	**Interest margin**	**11,237**	**12,349**	**-1,112**	**-9.0**
40.	Fee and commission income	6,141	6,543	-402	-6.1
50.	Fee and commission expense	-1,186	-1,216	-30	-2.5
60.	**Net fee and commission income**	**4,955**	**5,327**	**-372**	**-7.0**
70.	Dividend and similar income	479	704	-225	-32.0
80.	Profits (Losses) on trading	855	-1,329	2,184	
90.	Fair value adjustments in hedge accounting	-41	-143	-102	-71.3
100.	Profits (Losses) on disposal or repurchase of	316	46	270	
	a) loans	*-16*	*-50*	*-34*	*-68.0*
	b) financial assets available for sale	*320*	*80*	*240*	
	c) investments held to maturity	-	-	-	
	d) financial liabilities	*12*	*16*	*-4*	*-25.0*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	81	6	75	
120.	**Net interest and other banking income**	**17,882**	**16,960**	**922**	**5.4**
130.	Net losses / recoveries on impairment	-3,711	-3,270	441	13.5
	a) loans	*-3,448*	*-2,433*	*1,015*	*41.7*
	b) financial assets available for sale	*-256*	*-963*	*-707*	*-73.4*
	c) investments held to maturity	-	-	-	
	d) other financial activities	*-7*	*126*	*-133*	
140.	**Net income from banking activities**	**14,171**	**13,690**	**481**	**3.5**
150.	Net insurance premiums	6,579	1,773	4,806	
160.	Other net insurance income (expense)	-7,251	-1,575	5,676	
170.	**Net income from banking and insurance activities**	**13,499**	**13,888**	**-389**	**-2.8**
180.	Administrative expenses	-9,615	-10,474	-859	-8.2
	a) personnel expenses	*-5,788*	*-6,358*	*-570*	*-9.0*
	b) other administrative expenses	*-3,827*	*-4,116*	*-289*	*-7.0*
190.	Net provisions for risks and charges	-330	-365	-35	-9.6
200.	Net adjustments to / recoveries on property and equipment	-413	-431	-18	-4.2
210.	Net adjustments to / recoveries on intangible assets	-771	-1,738	-967	-55.6
220.	Other operating expenses (income)	519	645	-126	-19.5
230.	**Operating expenses**	**-10,610**	**-12,363**	**-1,753**	**-14.2**
240.	Profits (Losses) on investments in associates and companies subject to joint control	561	176	385	
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260.	Goodwill impairment	-	-1,065	-1,065	
270.	Profits (Losses) on disposal of investments	5	203	-198	-97.5
280.	**Income (Loss) before tax from continuing operations**	**3,455**	**839**	**2,616**	
290.	Taxes on income from continuing operations	-686	656	-1,342	
300.	**Income (Loss) after tax from continuing operations**	**2,769**	**1,495**	**1,274**	**85.2**
310.	Income (Loss) after tax from discontinued operations	169	1,187	-1,018	-85.8
320.	**Net income (loss)**	**2,938**	**2,682**	**256**	**9.5**
330.	Minority interests	-133	-129	4	3.1
340.	**Parent Company's net income (loss)**	**2,805**	**2,553**	**252**	**9.9**
	Basic EPS - Euro	**0.22**	**0.20**		
	Diluted EPS - Euro	**0.22**	**0.20**		

Statement of consolidated comprehensive income

(millions of euro)

		2009	2008	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**2,938**	**2,682**	**256**	**9.5**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	1,130	-1,450	2,580	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	-39	-541	-502	-92.8
70.	Foreign exchange differences	-120	-119	1	0.8
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	28	-19	47	
110.	**Total other comprehensive income (net of tax)**	**999**	**-2,129**	**3,128**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**3,937**	**553**	**3,384**	
130.	**Total consolidated comprehensive income pertaining to minority interests**	**151**	**111**	**40**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**3,786**	**442**	**3,344**	

Changes in consolidated shareholders’ equity as at 31 December 2009

(millions of euro)

	31.12.2009											
	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 1.1.2009	**6,622**	**488**	**33,230**	**8,360**	**101**	**-1,418**	**-**	**-11**	**2,682**	**50,054**	*48,954*	*1,100*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves	**-**	**-**	**-**	**2,596**	**-**				**-2,596**	**-**	*-*	*-*
Dividends and other allocations [(a)]									**-86**	**-86**	*-24*	*-62*
CHANGES IN THE PERIOD												
Changes in reserves				**-93**	**-1**	**-**				**-94**	*-38*	*-56*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			3		**3**	*3*	-
Purchase of treasury shares	-	-		-				-		**-**	-	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options					-					**-**	-	-
Other	-48	-	5	-	-					-43	-	*-43*
Total comprehensive income for the period						**999**			**2,938**	**3,937**	*3,786*	*151*
SHAREHOLDERS’ EQUITY AS AT 31.12.2009	**6,574**	**488**	**33,235**	**10,863**	**100**	**-419**	**-**	**-8**	**2,938**	**53,771**	*52,681*	*1,090*
- Group	**6,162**	**485**	**33,102**	**10,465**	**100**	**-430**	**-**	**-8**	**2,805**	**52,681**		
- minority interests	**412**	**3**	**133**	**398**	**-**	**11**	**-**	**-**	**133**	**1,090**		

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

Changes in consolidated shareholders' equity as at 31 December 2008

(millions of euro)

	31.12.2008											
	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 1.1.2008	**6,493**	**488**	**33,578**	**5,842**	**88**	**711**	**-**	**-2,207**	**7,356**	**52,349**	*51,558*	*791*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves	**-**	**-**	**-**	**2,418**	**-**				**-2,418**	**-**	-	-
Dividends and other allocations [(a)]									**-4,938**	**-4,938**	*-4,887*	*-51*
CHANGES IN THE PERIOD												
Changes in reserves				**96**	**13**	**-**				**109**	*-4*	*113*
Operations on shareholders' equity												
Issue of new shares	-	-	-355	-	-			2,196		**1,841**	*1,841*	-
Purchase of treasury shares			-	-				-		**-**	-	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options				4	-					**4**	*4*	-
Other	129		7		-					**136**	-	*136*
Total comprehensive income for the period						**-2,129**			**2,682**	**553**	*442*	*111*
SHAREHOLDERS' EQUITY AS AT 31.12.2008	**6,622**	**488**	**33,230**	**8,360**	**101**	**-1,418**	**-**	**-11**	**2,682**	**50,054**	*48,954*	*1,100*
- Group	**6,162**	**485**	**33,102**	**7,974**	**101**	**-1,412**	**-**	**-11**	**2,553**	**48,954**		
- minority interests	**460**	**3**	**128**	**386**	**-**	**-6**	**-**	**-**	**129**	**1,100**		

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

Consolidated statement of cash flows

(millions of euro)

	31.12.2009	31.12.2008
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**9,104**	**5,359**
- net income (+/-)	2,938	2,682
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-684	2,693
- gains/losses on hedging activities (-/+)	41	143
- net losses/recoveries on impairment (+/-)	4,074	4,109
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,184	2,176
- net provisions for risks and charges and other costs/revenues (+/-)	588	1,079
- net insurance premiums to be collected (-)	94	-13
- other insurance revenues/charges to be collected (-/+)	3,464	-3,307
- taxes and duties to be settled (+)	-1,006	-3,394
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,589	-809
2. Cash flow from / used in financial assets	**14,149**	**-33,011**
- financial assets held for trading	-9,271	-14,490
- financial assets designated at fair value through profit and loss	-1,898	1,681
- financial assets available for sale	-6,814	2,858
- due from banks: repayable on demand	2,333	-2,256
- due from banks: other	10,795	12,721
- loans to customers	19,931	-31,866
- other assets	-927	-1,659
3. Cash flow from / used in financial liabilities	**-26,803**	**38,471**
- due to banks: repayable on demand	-1,129	-1,417
- due to banks: other	-7,247	-20,323
- due to customers	-6,684	10,906
- securities issued	-3,025	28,110
- financial liabilities held for trading	-3,621	21,197
- financial liabilities designated at fair value through profit and loss	768	-3,040
- other liabilities	-5,865	3,038
Net cash flow from (used in) operating activities	**-3,550**	**10,819**
B. INVESTING ACTIVITIES		
1. Cash flow from	**4,878**	**3,783**
- sales of investments in associates and companies subject to joint control	-	388
- dividends collected on investments in associates and companies subject to joint control	25	24
- sales/reimbursements of investments held to maturity	1,011	-
- sales of property and equipment	-	1,076
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	3,842	2,295
2. Cash flow used in	**-700**	**-5,370**
- purchases of investments in associates and companies subject to joint control	9	-909
- purchases of investments held to maturity	-	351
- purchases of property and equipment	-444	-1,380
- purchases of intangible assets	-265	-1
- purchases of subsidiaries and business branches	-	-3,431
Net cash flow from (used in) investing activities	**4,178**	**-1,587**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	3	37
- share capital increases	-	-
- dividend distribution and other	-24	-4,887
Net cash flow from (used in) financing activities	**-21**	**-4,850**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**607**	**4,382**
RECONCILIATION		
Cash and cash equivalents at beginning of period	7,835	3,463
Net increase (decrease) in cash and cash equivalents	607	4,382
Cash and cash equivalents: foreign exchange effect	-30	-10
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8,412**	**7,835**

LEGEND: (+) from (–) used in

Notes to the consolidated financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2009 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005 which issued Circular 262/05 and subsequently updated on 18 November 2009. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements have been prepared using the International Accounting Standards in force as at 31 December 2009 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which came into force from 2009.

IFRS in force since 2009

Regulation endorsement	Title
1126/2008	IFRS 8 - Operating segments
1274/2008	Amendments to IAS 1 - Presentation of Financial Statements
1260/2008	Amendments to IAS 23 - Borrowing Costs
1261/2008	Amendments to IFRS 2 - Share-based Payment
53/2009	Amendments to IAS 1 - Presentation of Financial Statements
	Amendments to IAS 32 - Financial Instruments: Presentation
69/2009	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards
	Amendments to IAS 27 - Consolidated and Separate Financial Statements
70/2009	Improvements to IFRS:
	Amendments to: IFRS 5; IAS 1; IAS 8; IAS 16; IAS 20; IAS 23; IAS 27; IAS 28; IAS 29; IAS 31; IAS 34; IAS 36; IAS 38; IAS 39; IAS 40; IAS 41
254/2009	IFRIC 12 - Service Concession Arrangements
824/2009	Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
	Amendments to IFRS 7 - Financial Instruments: Disclosures
1164/2009	IFRIC 18 - Transfers of Assets from Customers
1165/2009	Amendments to IFRS 4 - Insurance Contracts
	Amendments to IFRS 7 - Financial Instruments: Disclosures
1171/2009	Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
	Amendments to IFRIC 9 - Reassessment of Embedded Derivatives

The most significant differences with respect to Intesa Sanpaolo financial statements are as follows:

- the amendments to IAS 1 - Presentation of financial statements introduced a new statement, the Statement of comprehensive income which, in addition to the profit for the year, presents all comprehensive income recognised in shareholders' equity rather than in the income statement, in accordance with applicable accounting standards. These components include changes in the carrying amount of available-for-sale financial assets, the measurement of cash flow hedges (for the effective part), gains and losses arising from translating the financial statements of a foreign operation, and the same components relating to companies consolidated by the equity method;
- the amendments to IFRS 7- Financial instruments: Disclosures, expanded disclosure about the determination of the fair value of financial instruments and the liquidity risk.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which were endorsed in 2009 and which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2010.

IFRS endorsed in 2009

Regulation endorsement	Title	Effective date
460/2009	IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	01/01/2010 First financial year starting after 30/06/2009
494/2009	Amendments to IAS 27 - Consolidated and Separate Financial Statements	01/01/2010 First financial year starting after 30/06/2009
495/2009	Amendments to IFRS 3 - Business Combinations	01/01/2010 First financial year starting after 30/06/2009
839/2009	Amendments to IAS 39 (Eligible Hedged Items) - Financial Instruments: Recognition and Measurement	01/01/2010 First financial year starting after 30/06/2009
1136/2009	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards	01/01/2010 First financial year starting after 31/12/2009
1142/2009	IFRIC 17 - Distributions of Non-cash Assets to Owners	01/01/2010 First financial year starting after 31/10/2009
1293/2009	Amendments to IAS 32 - Financial Instruments: Presentation	01/01/2011 First financial year starting after 31/01/2010

These changes will become applicable to Intesa Sanpaolo financial statements starting from 2010, except for the amendments to IAS 27, introduced by Regulation 494/2009 which have been adopted early. Moreover, this amendment affected the accounting treatment of transactions involving investments in subsidiaries, associates and companies subject to joint control. In particular, transfers which do not entail losing control are recognised in the Consolidated financial statements as transactions with owners in their capacity as owners, with a balancing entry in equity. Likewise, the effects of the acquisition of an additional investment in a subsidiary is recognised in equity, excluding the recalculation of goodwill. Moreover, in accordance with the amendments to IAS 28 and IAS 31, when a company loses control, joint control or significant influence over an investment following a partial disposal, but retains an interest in the company, the retained investment is carried in the financial statements at fair value and any gains or losses on the previous carrying amount are taken to profit or loss. Under the previous versions of the above Standards, the residual investment was recognised consistently without taking into consideration any revaluation effect. During the year, Intesa Sanpaolo sold part of its investments in Findomestic and Esaote, losing joint control and significant influence therein, respectively. The early adoption of IAS 27 and the related amendments to IAS 28 and IAS 31 entailed the fair value measurement of the residual investments with a positive effect of 180 million euro on the consolidated income statement, gross of the tax effect and the portion pertaining to minority interests.
In accordance with applicable Standards, the early adoption of IAS 27 (revised) triggers the early adoption of the amendments to IFRS 3 introduced by Regulation 495/2009. Application of these amendments becomes mandatory starting from 2010.
The early adoption of the amendments to IFRS 3 had no financial impact on 2009 since no business combinations took place during the year.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the consolidated financial statements; the Report on operations, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with the provisions of Art. 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Consolidated financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of these Notes to the consolidated financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian securities and exchange commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation.

In accordance with the provisions of IFRS 5, the balance sheet and the income statement as at 31 December 2009 and the relevant details in the Notes to the consolidated financial statements show assets due for imminent disposal within non-current assets held for sale and discontinued operations. The disposal mainly relates to the securities services business line which, following the agreement signed in December 2009, will be sold to State Street Corp.

The financial statement forms and the Notes to the consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2008. The income statement and the relevant details in the Notes to the consolidated financial statements have been amended for the comparison year in accordance with IFRS 5 to take into account the effects on the income statement of the abovementioned non–current assets held for sale and discontinued operations.
The Attachments include tables with the reconciliations between the comparative figures and the balance sheet and income statement figures originally published in the 2008 Annual report, together with specific reconciliations between these figures and the reclassified statements included in the Report on operations accompanying these financial statements.

The financial statements forms and the Notes to the consolidated financial statements have been drawn up in accordance with the provisions of Bank of Italy Circular 262/2005. This Circular was updated on 18 November 2009 to reflect the changes to IFRS with respect to its previous edition. Moreover, some tables of the Notes to the consolidated financial statements were simplified to better align disclosure with the supervisory schedules harmonised at European level.
The main changes introduced by the amendments to IFRS are as follows:
– the introduction of the Statement of comprehensive income to reflect amendments to IAS 1. In addition to the profit for the year, this table shows all comprehensive income which was not recognised in the income statement (i.e., variations in the carrying amount of assets and liabilities which, following the application of the relevant Standards, are taken to equity);
– a variation in the statement of changes in shareholders' equity, again triggered by the amendments to IAS 1, presenting separately equity changes relating to transactions with owners in their capacity as owners and other comprehensive income;
– the presentation of the financial effects of reclassifying financial instruments under various accounting portfolios to reflect the amendments to IAS 39 and IFRS 7 in this respect;
– implementation of amendments to IFRS 7 which introduced the fair value hierarchy (levels 1, 2 and 3). This also led to variations in many tables in the Notes to the consolidated financial statements, indicating the three levels of the fair value hierarchy and replacing the distinction between quoted/unquoted.

Streamlining and simplifying changes include:
– the reorganisation of disclosure about "non-performing loans", "assets sold and not derecognised" and derivatives, which are now recognised in the tables of the Notes to the consolidated financial statements under the relevant technical forms instead of independent captions;
– the review of disclosure about derivatives, which is now almost exclusively included in Part E of the Notes to the consolidated financial statements;
– updating capital disclosure by including a table on the capital adequacy of the financial conglomerates falling under the so-called "supplementary supervision";
– the elimination of the systematic disaggregation of consolidated figures into business segments (banking group, insurance companies, other companies), which was replaced by the obligation to provide this breakdown only when this is significant.

Following the already mentioned intention to align disclosure to the supervisory schedules harmonised at European level and the disclosure of the third pillar of Basel 2, the section of the Notes to the consolidated financial statements dealing with the Banking group risks (Section 1, Part E) now includes the supervisory scope, in line with the disclosure requirements of the Third Pillar of Basel 2.
Finally, the new Regulation provides for the reclassification, in financial statement forms, of tax recoveries from "other administrative expenses" (as a reduction thereof) to "other operating income". The effects of this reclassification on the 2008 financial statements are shown in the attached reconciliation statements. Moreover, with respect to the tables in the Notes to the consolidated financial statements, the Circular has introduced changes in the presentation of the breakdown of certain captions.

Contents of consolidated financial statement forms

Consolidated balance sheet and Consolidated income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2009 and for 2008 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of consolidated comprehensive income

The statement of comprehensive income is comprised of captions showing variations in the carrying amount of assets recognised during the year with a balancing entry in valuation reserves, net of the tax effect. Consolidated comprehensive income is broken down into the portion pertaining to the Parent company and that pertaining to minority interests. Similarly to the Balance sheet and the Income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2009 and for 2008 are in any case included. Negative amounts are preceded by the minus sign.

Changes in consolidated shareholders' equity

Changes in consolidated shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005. The table presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital (ordinary and savings shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. Intesa Sanpaolo has not issued equity instruments other than ordinary and savings shares.
Captions are broken down in portions pertaining to the Group and portions pertaining to minority interests.

Consolidated statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of Notes to the Consolidated financial statements

The Notes to the Consolidated financial statements include the information provided for by International Financial Reporting Standards and Bank of Italy Circular 262/2005, updated on 18 November 2009.

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies which it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by the new IAS/IFRS – also the companies operating in dissimilar sectors from the Parent company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Companies are considered subsidiaries when Intesa Sanpaolo, directly or indirectly, holds more than half of the voting rights or when it has a lower portion of voting rights but has the power to appoint the majority of directors of the company or to determine its financial or operating policies. In the measurement of voting rights also "potential" rights are considered if they are currently exercisable or convertible in effective voting rights at any time.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or when the Parent company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company. The equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds a 42.5% stake, is an exception since, considering its peculiarity, it is maintained at cost and is therefore not carried at equity.
Certain companies in which the Parent company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified in Financial assets available for sale since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

No significant changes have occurred with respect to the position as at 31 December 2008 in the scope of consolidation.

Several extraordinary intragroup transactions were carried out during the year, which had no effects on the Consolidated financial statements; they consisted in transfers of business lines between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply transferred line by line in the individual statements of the companies involved, without recognition of any economic effect.
The most notable transaction concerned the creation of Intesa Sanpaolo Group Services S.c.p.A. tasked with Group-wide handling of all operations regarding Organisation, Security, Property, Procurement, Operating Services, ITC systems and Contact Unit services. The Parent company's contribution of the related business and property assets started in April.

For information on the other intragroup transactions completed during the year, reference should be made to the Notes to the consolidated financial statements, Part G (Business combinations).

The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2009.

Consolidated companies

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
	A. CONSOLIDATED COMPANIES					
	Parent Company					
	Intesa Sanpaolo S.p.A. Capital Euro 6,646,547,922.56 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	Adriano Finance 3 S.r.l. (c) Capital Euro 12,000	Milano	4	Intesa Sanpaolo	5.00	
4	Arten Sicav (d)	Luxembourg	4	EurizonLife	91.00	-
5	B.I. Private Equity Ltd Capital Euro 100,000	Dublin	1	Private Equity International	100.00	
6	Banca C.R. Firenze Romania S.A. Capital RON 106,412,780	Bucharest	1	Cassa di Risparmio di Firenze	85.04	
7	Banca dell'Adriatico S.p.A. Capital Euro 272,652,000 in shares of Euro 1	Pesaro	1	Intesa Sanpaolo	100.00	
8	Banca di Credito Sardo Capital Euro 258,276,569.35 in shares of Euro 21.31	Cagliari	1	Intesa Sanpaolo	100.00	
9	Banca di Trento e Bolzano S.p.A. (e) Capital Euro 63,315,704.40 in shares of Euro 0.52	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	20.18 55.20 75.38	
10	Banca Fideuram S.p.A. Capital Euro 186,255,207.16 in shares of Euro 0.19	Roma	1	Intesa Sanpaolo	100.00	
11	Banca IMI S.p.A. Capital Euro 962,464,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
12	Banca Imi Securities Corp Capital Usd 44,500,000 in shares of Usd 1,000	New York	1	Imi Capital Markets USA Corp.	100.00	
13	Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346,300,000 in shares of Euro 1	Roma	1	Intesa Sanpaolo	100.00	
14	Banca Intesa a.d., Beograd (f) Capital RSD 18,477,400,000 in shares of RSD 100,000	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 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
16	Banco di Napoli S.p.A. Capital Euro 1,000,000,000 in shares of Euro 10	Napoli	1	Intesa Sanpaolo	100.00	
17	Bank of Alexandria S.A.E. (g) Capital EGP 800,000,000 in shares of EGP 2	Il Cairo	1	Intesa Sanpaolo	80.00	70.25
18	Banka Koper d.d. (h) Capital Euro 22,173,218.16 in shares of Euro 41.73	Koper	1	Intesa Sanpaolo	97.27	
19	Brivon Hungary Zrt Capital HUF 5,000,000	Budapest	1	Recovery Real Estate Management Ltd	100.00	
20	Canova Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
21	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214,428,465 in shares of Euro 1	Forlì	1	Intesa Sanpaolo	68.43	
22	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210,263,000 in shares of Euro 10	Gorizia	1	Intesa Sanpaolo	100.00	
23	Cassa di Risparmio del Veneto S.p.A. Capital Euro 778,869,000 in shares of Euro 10	Padova	1	Intesa Sanpaolo	100.00	
24	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31 in shares of Euro 0.51	Viterbo	1	Casse del Centro	75.81	82.02
25	Cassa di Risparmio della Spezia S.p.A. Capital Euro 98,155,000 in shares of Euro 0.67	La Spezia	1	Cassa di Risparmio di Firenze	80.00	
26	Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70,755,020 in shares of Euro 258.23	Ascoli Piceno	1	Casse del Centro	66.00	
27	Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23,750,000 in shares of Euro 0.50	Città di Castello (Peru	1	Casse del Centro	82.19	
28	Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34,505,380 in shares of Euro 70	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
29	Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828,836,017 in shares of Euro 1	Firenze	1	Intesa Sanpaolo	89.71	
30	Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820 in shares of Euro 0.52	Foligno (Perugia)	1	Casse del Centro	70.47	

Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
31 Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141,987,825 in shares of Euro 0.63	Pistoia	1	Cassa di Risparmio di Firenze	58.81	60.00
32 Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291 in shares of Euro 51.65	Rieti	1	Casse del Centro	85.00	
33 Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42,489,053 in shares of Euro 1	Spoleto (Perugia)	1	Casse del Centro	60.13	
34 Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21,000,000 in shares of Euro 6	Terni	1	Casse del Centro	75.00	
35 Cassa di Risparmio di Venezia S.p.A. Capital Euro 284,536,000 in shares of Euro 10	Venezia	1	Intesa Sanpaolo	100.00	
36 Cassa di Risparmio in Bologna S.p.A. Capital Euro 696,692,000 in shares of Euro 10	Bologna	1	Intesa Sanpaolo	100.00	
37 Casse del Centro S.p.A. Capital Euro 774,240,078 in shares of Euro 1	Spoleto (Perugia)	1	Cassa di Risparmio di Firenze	96.07	
38 Central-European International Bank Ltd. Capital HUF 105,000,000,000 in shares of HUF 1	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	93.48 6.52 100.00	
39 Centro Factoring S.p.A. Capital Euro 25,200,000 in shares of Euro 4	Firenze	1	Cassa di Risparmio di Firenze Centro Leasing Banca Intesa Sanpaolo Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio della Spezia Cassa dei Risparmi di Forlì e della Romagna	41.77 14.95 10.81 5.73 0.16 0.11 73.53	
40 Centro Leasing Banca S.p.A. Capital Euro 155,020,051.5 in shares of Euro 3.54	Firenze	1	Cassa di Risparmio di Firenze Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio della Spezia Cassa di Risparmio di Civitavecchia Cassa dei Risparmi di Forlì e della Romagna	77.62 7.09 0.79 0.56 0.04 86.10	
41 Centro Leasing Rete S.p.A. Capital Euro 1,500,000 in shares of Euro 1	Firenze	1	Centro Leasing Banca	100.00	
42 Centrovita Assicurazioni S.p.A. Capital Euro 52,000,000 in shares of Euro 1	Firenze	1	Intesa Sanpaolo	51.00	
43 Centurion Financial Services Ltd Capital BAM 1,049,126.50	Sarajevo	1	PBZ Card	100.00	
44 CIB Car Trading LTD Capital HUF 10,000,000	Budapest	1	CIB Credit	100.00	
45 CIB Credit Ltd Capital HUF 50,000,000	Budapest	1	CIB Leasing CIB Real Estate	98.00 2.00 100.00	
46 CIB Factor Financial Service Ltd. Capital HUF 103,500,000	Budapest	1	CIB Real Property Utilisation and Services CIB Support	50.00 50.00 100.00	
47 CIB Insurance Broker Ltd. Capital HUF 10,000,000	Budapest	1	CIB Leasing	100.00	
48 CIB Investment Fund Management Ltd. Capital HUF 600,000,000	Budapest	1	Central-European International Bank CIB REAL Property Utilisation and Services	94.98 5.02 100.00	
49 CIB Leasing Ltd. Capital HUF 50,000,000	Budapest	1	CIB Rent Operative Leasing	100.00	
50 CIB New York Broker Zrt. Capital HUF 20,025,000 in shares of HUF 75,000	Budapest	1	Central-European International Bank	100.00	
51 CIB Property Ltd. Capital HUF 51,000,000	Budapest	1	CIB Leasing	100.00	
52 CIB Real Estate Ltd. Capital HUF 51,000,000	Budapest	1	Central-European International Bank	100.00	
53 CIB REAL Property Utilisation and Services Ltd. Capital HUF 50,000,000 in shares of HUF 1	Budapest	1	Central-European International Bank CIB Support	51.68 48.32 100.00	
54 CIB Rent Operative Leasing Ltd. Capital HUF 800,000,000	Budapest	1	Central-European International Bank	100.00	
55 CIB Residential Property Leasing Ltd. Capital HUF 50,020,000	Budapest	1	CIB Leasing	100.00	
56 CIB Support LTD Capital HUF 50,000,000	Budapest	1	Central-European International Bank	100.00	
57 CIL Buda Square Ltd. Capital HUF 500,000	Budapest	1	Recovery Real Estate Management LTD	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
58	CIL - FOOD 2006 Ltd Capital HUF 3,000,000	Budapest	1	Recovery Real Estate Management LTD	100.00	
59	Cimabue Sicav (d)	Luxembourg	4	EurizonLife	100.00	
60	Consumer Finance Holding a.s. Capital Euro 53,110,277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
61	CSB Plaza Ingatlanhasznosito Kft. Capital HUF 500,000	Budapest	1	Recovery Real Estate Management LTD	100.00	
62	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo		
63	Epsilon Associati SGR S.p.A. Capital Euro 5,200,000 in shares of Euro 0.52	Milano	1	Eurizon Capital SGR	93.75	
64	Equiter S.p.A. Capital Euro 150,000,000 in shares of Euro 5	Torino	1	Intesa Sanpaolo	100.00	
65	Eurizon A.I. SGR S.p.A. Capital Euro 4,420,000 in shares of Euro 130	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
66	Eurizon Capital S.A. Capital Euro 7,557,200	Luxembourg	1	Eurizon Capital SGR	100.00	
67	Eurizon Capital S.G.R. S.p.A. Capital Euro 95,010,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
68	Eurizon Vita S.p.A. Capital Euro 295,322,508 in shares of Euro 1	Torino	1	Intesa Sanpaolo	99.96	
69	EurizonLife Ltd Capital Euro 625,000	Dublin	1	Eurizon Vita	100.00	
70	EurizonTutela S.p.A. Capital Euro 27,912,258 in shares of Euro 1	Torino	1	Eurizon Vita	100.00	
71	Euro-Tresorerie S.A. Capital Euro 250,038,322.20	Paris	1	Financiere Fideuram	100.00	
72	Fideuram Asset Management (Ireland) Ltd Capital Euro 1,000,000	Dublin	1	Banca Fideuram	100.00	
73	Fideuram Bank (Monaco) S.A.M. Capital Euro 5,000,000 in shares of Euro 200	Monaco	1	Fideuram Bank Luxembourg	99.96	
74	Fideuram Bank (Suisse) S.A. Capital CHF 15,000,000	Zurich	1	Fideuram Bank Luxembourg	99.97	
75	Fideuram Bank Luxembourg S.A. Capital Euro 30,000,000	Luxembourg	1	Banca Fideuram	100.00	
76	Fideuram Fiduciaria S.p.A. Capital Euro 1,551,000 in shares of Euro 517	Roma	1	Banca Fideuram	100.00	
77	Fideuram Fund Bond Global High Yield (d)	Luxembourg	4	Eurizon Vita	88.55	-
78	Fideuram Fund Bond Usd (d)	Luxembourg	4	Eurizon Vita	85.88	-
79	Fideuram Fund Equity Europe (d)	Luxembourg	4	Eurizon Vita	77.04	-
80	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Eurizon Vita	80.59	-
81	Fideuram Fund Equity Italy (d)	Luxembourg	4	Eurizon Vita	92.38	-
82	Fideuram Fund Equity Japan (d)	Luxembourg	4	Eurizon Vita	84.16	-
83	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Eurizon Vita	77.61	-
84	Fideuram Fund Equity Usa (d)	Luxembourg	4	Eurizon Vita	79.16	-
85	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Eurizon Vita	99.72	-
86	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Eurizon Vita	99.87	-
87	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Eurizon Vita	96.09	-
88	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Eurizon Vita	76.19	-
89	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Eurizon Vita	67.72	-
90	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Eurizon Vita	74.61	-
91	Fideuram Fund Euro Short Term (d)	Luxembourg	4	Eurizon Vita	68.44	-
92	Fideuram Fund Europe Listed Energy-Mat-Utilities Eq. (d)	Luxembourg	4	Eurizon Vita	99.53	-
93	Fideuram Fund Europe Listed Financials Equity (d)	Luxembourg	4	Eurizon Vita	99.80	-
94	Fideuram Fund Zero Coupon 2010 (d)	Luxembourg	4	Eurizon Vita	99.75	-
95	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Eurizon Vita	100.00	-
96	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Eurizon Vita	100.00	-
97	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Eurizon Vita	100.00	-
98	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Eurizon Vita	100.00	-
99	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Eurizon Vita	100.00	-
100	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Eurizon Vita	100.00	-
101	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Eurizon Vita	100.00	-
102	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Eurizon Vita	100.00	-

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
103	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Eurizon Vita	100.00	-
104	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Eurizon Vita	100.00	-
105	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Eurizon Vita	100.00	-
106	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Eurizon Vita	100.00	-
107	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Eurizon Vita	100.00	-
108	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Eurizon Vita	100.00	-
109	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Eurizon Vita	100.00	-
110	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Eurizon Vita	100.00	-
111	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Eurizon Vita	100.00	-
112	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Eurizon Vita	100.00	-
113	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Eurizon Vita	100.00	-
114	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Eurizon Vita	100.00	-
115	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Eurizon Vita	100.00	-
116	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Eurizon Vita	100.00	-
117	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Eurizon Vita	100.00	-
118	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Eurizon Vita	100.00	-
119	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Eurizon Vita	100.00	-
120	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Eurizon Vita	100.00	-
121	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Eurizon Vita	100.00	-
122	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Eurizon Vita	100.00	-
123	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Eurizon Vita	100.00	-
124	Fideuram Gestions S.A. Capital Euro 10,000,000	Luxembourg	1	Banca Fideuram Eurizon Vita	99.94 0.06 100.00	
125	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25,850,000 in shares of Euro 517	Roma	1	Banca Fideuram	99.50	
126	Financière Fideuram S.A. Capital Euro 346,761,600	Paris	1	Banca Fideuram	100.00	
127	Finanziaria B.T.B. S.p.A. Capital Euro 56,832,921.60 in shares of Euro 0.52	Trento	1	Intesa Sanpaolo	99.29	
128	Finor Leasing d.o.o. Capital Euro 2,044,700	Koper	1	Banka Koper	100.00	
129	Focus Rendimento Assoluto 5 Anni (d)	Milano	4	Eurizon Capital SGR	71.84	
130	Fondo Caravaggio Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
131	IMI Capital Markets USA Corp. Capital USD 5,000 in shares of USD 1	New York	1	IMI Investments	100.00	
132	IMI Finance Luxembourg S.A. Capital Euro 100,000	Luxembourg	1	IMI Investments	100.00	
133	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2,000,000 in shares of Euro 1,000	Bologna	1	IMI Investimenti	100.00	
134	IMI Investimenti S.p.A. Capital Euro 579,184,200 in shares of Euro 5	Bologna	1	Intesa Sanpaolo	100.00	
135	IMI Investments S.A. Capital USD 30,000,000	Luxembourg	1	Banca IMI	100.00	
136	Immobiliare Nuova Sede S.r.L. Capital Euro 51,480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
137	Infogroup S.c.p.A. Capital Euro 3,000,000 in shares of Euro 1	Firenze	1	Cassa di Risparmio di Firenze Intesa Sanpaolo Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio di Civitavecchia Intesa Sanpaolo Group Services minority interests	65.45 31.07 2.76 0.69 0.01 0.02 100.00	
138	Intesa Funding LLC Capital USD 10,000 in shares of USD 1	Wilmington	1	Intesa Sanpaolo	100.00	
139	Intesa Global Finance Company Ltd Capital Euro 100,000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
140	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000 in shares of Euro 1,000	Milano	1	Intesa Sanpaolo	100.00	
141	Intesa Lease Sec S.r.l. Capital Euro 60,000	Milano	1	Intesa Sanpaolo	60.00	
142	Intesa Leasing d.o.o. Beograd Capital RON 960,374,301	Belgrade	1	Banca Intesa a.d., Beograd CIB Leasing	98.70 1.30 100.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
143	Intesa Preferred Capital Company L.L.C. Capital Euro 46,000,000	Wilmington	1	Intesa Sanpaolo	100.00	
144	Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital 15,300,000 in shares of Euro 500	Milano	1	Intesa Sanpaolo	78.53	
145	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Intesa Sanpaolo	100.00	
146	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5,562,517,674 in shares of ALL 357	Tirana	1	Intesa Sanpaolo	90.83	98.61
147	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400,500,000 in shares of Euro 1	Dublin	1	Intesa Sanpaolo	100.00	
148	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 45,296,000 in shares of BAM 100	Sarajevo	1	Intesa Sanpaolo Holding International	86.48	
149	Intesa Sanpaolo Card d.o.o. - Ljubljana (former Centurion Financne Storitve) Capital Euro 5,618,761	Ljubljana	1	Banka Koper Intesa Sanpaolo Card D.o.o.- Zagreb	92.67 7.33 100.00	
150	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 27,336,200	Zagreb	1	Banka Koper Privredna Banka Zagreb Intesa Sanpaolo Holding International	4.42 37.64 57.94 100.00	
151	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272,057,000	Torino	1	Intesa Sanpaolo Banca Fideuram Cassa di Risparmio del Veneto Cassa di Risparmio di Firenze Banco di Napoli Banca IMI minority interests	99.87 0.01 0.01 0.01 0.01 0.01 0.08 100.00	
152	Intesa Sanpaolo Holding International S.A. Capital Euro 4,911,412,142	Luxembourg	1	Intesa Sanpaolo	100.00	
153	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20,000,000	Lugano	1	Société Européenne de Banque	99.98	
154	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 104,134,000 in shares of Euro 4	Milano	1	Intesa Sanpaolo	100.00	
155	Intesa Sanpaolo Romania S.A. Commercial Bank (m) Capital Ron 251,111,110 in shares of Ron 10	Arad	1	Intesa Sanpaolo	99.25	
156	Intesa Sanpaolo Servizi Transazionali S.p.A. (s) Capital Euro 120,000,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
157	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1,032,000 in shares of Euro 5.16	Milano	1	Intesa Sanpaolo	100.00	
158	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Intesa Sanpaolo	60.00	
159	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	60.00	
160	Intesa Sec. Npl S.p.A. Capital Euro 129,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	60.00	
161	Intesa Sec. S.p.A. Capital Euro 100,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	60.00	
162	IntesaBci Preferred Capital Company L.L.C. III (n) Capital Euro 11,000,000	Wilmington	1	Intesa Sanpaolo	100.00	
163	IntesaBci Preferred Securities Investor Trust Capitale Euro 1.000 suddiviso in azioni da Euro 1.000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
164	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7,941,112.83	Lima	1	Intesa Sanpaolo	99.40	
165	KMB Bank (Closed Joint-Stock Company) (r) Capital RUB 5,737,167,800 in shares of RUB 12,350	Moscow	1	Intesa Sanpaolo Holding International	75.00	
166	KMB - Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000 in shares of RUB 100	Moscow	1	KMB Bank	100.00	
167	Lanchid Palota Ingatlanfejleszto es Uzemeleteto Capital HUF 500,000	Budapest	1	Recovery Real Estate management Ltd	100.00	
168	Leasint S.p.A. Capital Euro 172,043,500 in shares of Euro 1.24	Milano	1	Intesa Sanpaolo	100.00	
169	Lelle SPC - Real Estate investment and trading co. Capital HUF 270,000,000 in shares of HUF 100,000	Budapest	1	Recovery Real Estate management Ltd	100.00	
170	Levanna Sicav (d)	Luxembourg	4	EurizonLife	100.00	-

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	% held	Votes available % (b)
171	Lima Sudameris Holding S.A. in liquidation Capital PEN 168,190,806.15	Lima	1	Intesa Sanpaolo	52.87	
				IMSA	47.13	
					100.00	
172	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	-
173	Lux Gest Asset Management S.A. Capital Euro 200,000	Luxembourg	1	Société Européenne de Banque	100.00	
174	Medimurska Banka d.d. Capital HRK 127,900,000 in shares of HRK 400	Čakovec	1	Privredna Banka Zagreb	100.00	
175	Mediocredito Italiano S.p.A. Capital Euro 572,043,495 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
176	Mediofactoring S.p.A. Capital Euro 220,000,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	100.00	
177	Moneta S.p.A. Capital Euro 109,830,000 in shares of Euro 10	Bologna	1	Intesa Sanpaolo	100.00	
178	Neos Finance S.p.A. Capital Euro 102,018,306 in shares of Euro 6	Bologna	1	Intesa Sanpaolo	100.00	
179	Obudai Dunapart Office Building Center Ltd Capital HUF 2,330,000,000	Budapest	1	Cil Buda Square Ltd	100.00	
180	PBZ Card d.o.o. Capital HRK 43,422,200	Zagreb	1	Privredna Banka Zagreb	100.00	
181	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
182	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
183	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
184	PBZ Stambena Stedionica d.d. Capital HRK 115,000,000 in shares of HRK 100	Zagreb	1	Privredna Banka Zagreb	100.00	
185	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 1,561,622,589 in shares of UAH 1	Kiev	1	Intesa Sanpaolo	100.00	
186	Private Equity International S.A. Capital Euro 553,953,000	Luxembourg	1	Intesa Sanpaolo	90.90	
				IMI Investimenti	9.10	
					100.00	
187	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900 in shares of HRK 100	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
188	Recovery a.s. Capital Euro 33,200	Bratislava	1	Vseobecna Uverova Banka	100.00	
189	Recovery Real Estate Management Ltd Capital HUF 3,000,000	Budapest	1	Central-European International Bank	100.00	
190	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
191	Sanpaolo Bank S.A. (s) Capital Euro 140,000,000	Luxembourg	1	Intesa Sanpaolo	100.00	
192	Sanpaolo IMI Bank (International) S.A. Capital Euro 17,500,000	Funchal	1	Intesa Sanpaolo	100.00	
193	Sanpaolo IMI Capital Company I L.l.c. (o) Capital Euro 45,001,000	Wilmington	1	Intesa Sanpaolo	100.00	
194	Sanpaolo IMI US Financial Co. Capital USD 1,000 in shares of Euro 1	Wilmington	1	Intesa Sanpaolo	100.00	
195	Sanpaolo Immobiliere S.A. Capital Euro 250,000	Luxembourg	1	Sanpaolo Bank	99.99	
				Eurizon Capital	0.01	
					100.00	
196	Sanpaolo International Formulas Fund (d)	Luxembourg	4	EurizonLife	100.00	-
197	Sanpaolo Invest Ireland Ltd Capital Euro 500,000	Dublin	1	Banca Fideuram	100.00	
198	Sanpaolo Invest SIM S.p.A. Capital Euro 15,264,760 in shares of Euro 140	Roma	1	Banca Fideuram	100.00	
199	Sanpaolo Real Estate S.A. Capital Euro 3,000,000	Luxembourg	1	Sanpaolo Bank	100.00	
200	SEP-Servizi e Progetti S.c.p.A. Capital Euro 1,560,000 in shares of Euro 1	Torino	1	Intesa Sanpaolo	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 in shares of Euro 52	Milano	1	Moneta	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
203	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital 2,600,000 in shares of Euro 0.52	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	EurizonLife	87.50	-
206	Split 2 S.r.l. (p)	Treviso	4	Leasint	-	-
207	SPQR II S.r.l. (k)	Roma	4	Banca Infrastrutture Innovazione e Sviluppo	-	
208	Sud Polo Vita S.p.A. Capital Euro 84,464,122.20 in shares of Euro 0.20	Torino	1	Intesa Sanpaolo Eurizon Vita	98.80 1.18 99.98	
209	Sudameris S.A. Capital Euro 49,671,600	Paris	1	Intesa Sanpaolo Holding International	99.87	
210	Tiepolo Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
211	Vseobecna Uverova Banka a.s. Capital Euro 430,819,064	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
212	VUB Asset Management Sprav. Spol a.s. Capital Euro 1,660,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
213	VUB Factoring a.s. Capital Euro 2,232,334	Bratislava	1	Vseobecna Uverova Banka	100.00	
214	VUB Leasing A.S. (q) Capital Euro 16,600,000	Bratislava	1	Vseobecna Uverova Banka	70.00	
215	VUB Poistovaci Makler s.r.o. Capital Euro 16,597	Bratislava	1	VUB Leasing	100.00	
216	ZAO Banca Intesa Closed Joint-stock Company Capital RUB 3,600,000,000 in shares of RUB 1,000	Moscow	1	Intesa Sanpaolo	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 (SIC12).
(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 10.43% 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) The disposal of a 9.75% stake in favour of IFC, finalised in March 2009, did not lead to the derecognition of the related shareholding in light of the contractual clauses which characterise the transaction.
(h) Please note that there is a put option sold/call option purchased from minority shareholders on 2.73% of share capital.
(i) Please note that there is a put option sold/call option purchased 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) Please note that there is a put option sold/call option purchased from minority shareholders on 19.02% of the share capital. The disposal of a 1.39% stake in favour of Società Italiana per le Imprese all'Estero (the Italian company for businesses abroad - SIMEST) was finalised in July 2006, did not lead to the derecognition of the related shareholding in light of the contractual clauses which characterise the transaction.
(m) The Parent Company holds options for the acquisition of the remaining 0.75% of the stake.
(n) Considering the "preferred shares" issued for a total of 500,000,000 euro the equity stake equals 2.15%.
(o) Considering the "preferred shares" issued for a total of 1,000,000,000 euro the equity stake equals 4.31%.
(p) 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.
(q) Please note that there is a put option sold/call option purchased from minority shareholders on 30% of share capital.
(r) Please note that there is a put option sold/call option purchased from minority shareholders on 13,26% of share capital.
(s) Companies reclassified under non-current assets held for sale and discontinued operations according to the provisions of IFRS 5.

Consolidation methods

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.
Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets at the date of first consolidation. Negative differences are recognised in the income statement.
Assets, liabilities, income and expenses between consolidated companies are totally eliminated.
Business combinations must be accounted for using the "acquisition method" in accordance with IFRS 3, as modified by Regulation 495/2009, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to income statement.
The "acquisition method" is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.
The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time) is accounted for in the income statement.
The financial statements of the Parent company and of other companies used to prepare the Consolidated financial statements refer to the same date. In certain cases, for subsidiaries which are not material, the last approved financial statements (annual or interim) are used.
Where necessary – and excepting absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

Measurement using the equity method

Associates and companies subject to joint control are consolidated with the equity method. For the latter, Intesa Sanpaolo opted for the use of this consolidation method instead of proportional consolidation, as provided for by IAS 31.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the company's shareholders' equity.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated considering the present value of the future cash flows, which may be generated by the investment, including the final disposal value. If the recoverable amount is under book value, the relative difference is recorded in the income statement.
For the consolidation of companies subject to joint control, financial statements as at 31 December 2009 have been used.
For the consolidation of investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

Conversion of financial statements in currencies other than euro

The financial statements of the companies which do not operate in the eurozone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the income statement the average exchange rate.
Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders' equity. Foreign exchange differences on the shareholders' equity of the subsidiaries are also recorded in Valuation reserves.
All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

On 11 January 2010, Intesa Sanpaolo, together with Mediobanca, Société Générale and Unicredito, signed a 1.3 billion euro financing agreement with Telco, expiring on 31 May 2012 and assisted by a pledge on Telecom Italia shares. On 26 February, Telco completed a 1.3 billion euro bond issue that was then subscribed for by its shareholders on a proportional basis. The related income was used to fully repay the bridge loan granted by its shareholders.

On 9 February 2010, Marco Morelli and Gaetano Miccichè were appointed General Managers. Marco Morelli will be in charge of Banca dei Territori Division and – in accordance with the Articles of Association – will also act as deputy to the CEO, while Gaetano Miccichè will continue to be in charge of the Corporate and Investment Banking Division.

As part of the Banca Intesa and Sanpaolo IMI business combination, the definition of the relationship with Crédit Agricole was particularly important.
The agreement dated October 2006 provided for the market-price transfer of the investments in Cassa di Risparmio di Parma e Piacenza, Banca popolare FriulAdria and approximately 200 bank branches to the French Bank along with the termination of the assets under management and consumer credit joint ventures.
In December of the same year, the Italian Competition Authority authorised the merger between Banca Intesa and Sanpaolo IMI, requiring, amongst other things, a progressive reduction of Crédit Agricole's presence in the new Bank's shareholder base and setting other conditions aimed at ensuring the separation between the French Bank and Intesa Sanpaolo. This was necessary in order to consider the sale under the October 2006 agreement as a sale to a party that was independent of the post-merger entity and for the purposes of the merger's antitrust evaluation. With respect to the decision authorising the merger, Intesa Sanpaolo is required to ensure that Crédit Agricole complies with such obligation.
In 2009, following the agreement on Intesa Sanpaolo between Assicurazioni Generali and Crédit Agricole, the Antitrust Authority began non-compliance proceedings against Intesa Sanpaolo.
On 17 February 2010, Intesa Sanpaolo and Crédit Agricole reached an agreement[1] with Crédit Agricole making a series of commitments to Intesa Sanpaolo aimed at overcoming the objections raised by the Italian Competition Authority in the start-up and capital measures of the abovementioned proceedings.
In its resolution of 18 February 2010, the Antitrust Authority acknowledged the agreement reached by the parties and extended the deadline for the conclusion of the non-compliance proceedings to 15 July 2011. Moreover, in accordance with the above agreement, the commitments made by Crédit Agricole can be considered definitely effective.
Under the agreement, a network of non-strategic branches, mainly active in areas close to those where Crédit Agricole is currently located, will be transferred to Crédit Agricole at market conditions. The network of branches will be comprised of between 150 and 200 branches. Moreover, the network will include all or part of a subsidiary of the Intesa Sanpaolo Group.

SECTION 5 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies (with the exclusion of Banca di Trento e Bolzano, Finanziaria B.T.B. and Sud Polo Vita) have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit.
Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent company. If one or more companies have a negative taxable income, in the presence of a consolidated income in the year or of highly probable future taxable income, the fiscal losses are transferred to the Parent company.

Other aspects

Reconta Ernst & Young S.p.A. audited the Consolidated financial statements as at 31 December 2009, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed the company as independent auditor for the years from 2006 to 2011, included.

In its meeting of 19 March 2010, the Management Board approved the draft consolidated financial statements of the Intesa Sanpaolo Group and authorised their publication.

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[1] For further information on the agreement, refer to the document published on Intesa Sanpaolo website: group.intesasanpaolo.com, "Extract of the commitments entered into by Crédit Agricole towards Intesa Sanpaolo".

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

Classification criteria
This category includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:
– their characteristics and risks are not closely related to the characteristics of the host contract;
– embedded instruments, even though separate, fully meet the definition of derivative;
– combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.
The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans and Receivables). The transfer value is the fair value at the time of the reclassification. Upon reclassification, the presence of any embedded derivative contracts, that must be separated from the host contract, is assessed.

Recognition criteria
Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.
On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria
After initial recognition, financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities, quotas of UCI and derivative instruments which have equities as underlying assets and are not quoted on an active market, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

2. Financial assets available for sale

Classification criteria
This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity unless there is an event that is unusual and highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the categories, established by IAS 39, of Investments held to maturity and Loans and Receivables if the conditions for their recognition apply. The transfer value is the fair value at the time of the reclassification.

Recognition criteria
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.
If, in the cases provided for by the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, when rare circumstances occur, from Financial assets held for trading, the recognition value is the fair value as at the time of transfer.

Measurement criteria
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.
Equities included in this category, quotas of UCI and any derivative instruments which have equities as underlying assets and are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.
Should the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even if partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria
Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:
– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
– occur after the entity has substantially collected all of the financial asset's original principal through scheduled payments or prepayments; or
– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset.
If inclusion in this category occurs following reclassification from Financial assets available for sale or, in rare circumstances, from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria

After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

4. Loans

Classification criteria

Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

Recognition criteria

Initial recognition of a loan occurs at the date of subscription of the contract that normally coincides with the disbursement date. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.
If, in rare circumstances, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria

After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans undergo an individual measurement process, or the expected loss for homogenous categories and analytical allocation to each position is calculated, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure.

The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.
The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower's financial situation, provided that the interest rate applied is a market rate at the renegotiation date.
When renegotiations are granted to borrowers suffering from a deterioration in their financial situation, exposures are classified under non-performing loans.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at measurement date, which enable to estimate the latent loss for each loan category. Measurement also considers the risk connected to the borrower's country of residence.
Collective adjustments are recorded in the income statement.

Derecognition criteria
Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when control, even partial, is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Financial assets designated at fair value through profit and loss

Classification criteria
IAS/IFRS endorsed by the European Commission enable the classification as financial instruments designated at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.
Reclassifications to the other categories of financial assets are not permitted.
Intesa Sanpaolo has only classified in this category investments with respect to insurance policies and certain debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria
On initial recognition, financial assets are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even if partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

6. Hedging transactions

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities with fair value hedges, including "core deposits", as permitted by IAS 39 endorsed by the European Commission;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

Recognition criteria
Hedging derivative financial instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
- *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Investments in associates and companies subject to joint control

Recognition, classification and measurement criteria
The caption includes investments in companies subject to joint control and associates.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when the Parent company, directly or indirectly, holds at least 20% of voting rights or if the Parent company – with a lower equity stake – has the power of participating in the determination of the financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Some companies in which Intesa Sanpaolo holds a direct or indirect stake exceeding 20% are not considered subject to

significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the protection of its economic interests.
The caption also includes the equity stake in Bank of Italy.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows, which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to third parties and are expected to be used during more than one period.
The caption also includes the goods used in financial lease contracts, even though the ownership remains in the books of the lessor.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment property, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:
– land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
– works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.

If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular intangible assets include:
– technology related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years;
– customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years, core deposits in 18-24 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
– marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.
With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.
If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

Derecognition criteria
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

10. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has begun and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying value and their fair value less costs to sell.
The income and charges (net of tax impact) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

11. Current and deferred tax
Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred taxation relating to the net result for the period. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Group companies claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Group companies with the relevant tax authorities.
Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by

income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

12. Allowances for risks and charges

Post employment benefits
Company post employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each period of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is the average market yield curve on measurement dates. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses are recognised in the income statement, on the basis of the "corridor approach" only for the part of profits and losses not recorded at the end of the previous year which exceeds the higher between 10% of the present value of the defined benefit obligation and 10% of fair value of plan assets; this excess is recorded in the income statement on the basis of the expected average remaining working life of the participants in the plan or in the year in the case of retired personnel.

Other allowances
Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.
The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

13. Payables and securities issued

Classification criteria
Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the bank in the capacity of lessee in financial lease transactions.

Recognition criteria
Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria
After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading
The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.
All financial liabilities held for trading are designated at fair value through profit and loss.

15. Financial liabilities designated at fair value through profit and loss

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
The Group exercised the fair value option for liabilities, designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported above, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.
Bonds issued by subsidiaries whose return is correlated to the performance of investment fund portfolios are also designated at fair value and recorded as balance sheet assets. The adoption of the fair value option for this category of structured financial instruments enables their recording in the financial statements on a basis that reflects the natural hedging approach taken through their structuring.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid. The difference between the amounts collected upon issue, net of placement fees, and the fair value of the bonds as at the date of issue is recorded in the income statement on an accrual basis over the bond life term.

Measurement criteria
These liabilities are designated at fair value through profit and loss.

Derecognition criteria
The financial liabilities designated at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

16. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

17. Insurance assets and liabilities

Insurance products

Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth:

- gross premiums are to be recorded in the income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
- with respect to gross premiums, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis in accordance with applicable local accounting principles. In accordance with IFRS 4, the Group assesses the adequacy of the carrying amount of recorded liabilities using the Liability Adequacy Test (LAT);
- the insurance products entered under separate management are valued by applying "shadow accounting," whereby the differences between the book value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management.
- liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

Financial products included under separate management

Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary profit sharing features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:

- the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the income statement;
- as stated in the previous chapter, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary profit-sharing features;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management;
- liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

Financial products not included under separate management

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
- the income statement does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

18. Other information

Treasury shares

Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities

Following the coming into effect of the 2007 Finance Law, which brought forward to 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, employee termination indemnities refer to the sole portion accrued until 31 December 2006. It represents a "post employment benefit" classified as "defined benefit plan" and is therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" without applying the proportional share of the service rendered. This stems from the consideration that current service cost of employee termination indemnities, accrued as at 1 January 2007, was almost entirely already accrued and for its revaluation for the years to come, it will not lead to significant benefits for employees.
For the purposes of discounting, the rate used is the average market yield curve on measurement dates, weighted based on percentage amount paid and advanced, for each maturity with respect to the total to be paid and advanced until the expiry of the entire obligation.
Costs to service the plan are accounted for in personnel expenses as the net amount of interest accrued and any expected income plan assets and actuarial gains and losses. The latter are recorded using the "corridor approach" that is as the excess cumulated actuarial gains/losses, recorded at the end of the previous period with respect to 10% of present value of the defined benefit obligation. This excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.
Following the reform, the employee termination indemnities accrued from 1 January 2007 are considered a "defined contribution plan" irrespective of allocation by employee to supplementary social security, or to the Treasury allowance at INPS. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation.

Provisions for guarantees and commitments

Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by the Bank of Italy instructions.

Share-based payments

Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs

Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in the case of services, when these have been rendered. In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered;
- revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if

the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin; the difference with respect to the fair value is recorded in the income statement during the life of the transaction via a progressive reduction, in the valuation model, of the corrective factor connected to the scant liquidity of the instrument;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may significantly differ in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investment, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

Fair value measurement

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

Financial instruments

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

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

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

The choice between the above 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 prices with a bid-ask spread under an interval deemed to be congruous, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchanged traded options). Finally, 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, struck on the most advantageous active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the comparable approach (***level 2***) which uses measurement models based on market parameters. In this case, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the 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 listings 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.
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 and inflation 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.
Derivatives 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 included among structured credit products;
– 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.

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 done 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[2]) 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 carrying amount of the security 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, balance sheet models or balance sheet-income statement mixed 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 measurement process of financial instruments (the so-called "fair value policy") entails various phases which are summarised below.

- 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:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - 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 conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

[2] 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.

With respect to disclosure about financial instruments measured at fair value, the above hierarchy to determine fair value is used for the allocation of accounting portfolios in accordance with fair value levels (see paragraph A.3.2).

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for the recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost varies depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction, are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement) and, lastly, intragroup costs and income.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation to syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since it is immaterial.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/audit expenses for the annual update of prospectuses, the costs for the use of indices and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not designated at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised

cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At each reporting date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the expected loss for homogenous categories and analytical allocation to each position is calculated, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows related to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogenous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer of the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and – for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or extended reduction in the fair value below the initial recognition amount is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant and a reduction of over 24 months is considered an extended continuous reduction. The security is impaired when one of the above thresholds is exceeded. If thresholds are not exceeded but other impairment indicators exist, the impairment loss must be supported also by the results of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter.

Investments in associates and companies subject to joint control

At each reporting date the equity investments in associates or companies subject to joint control have to undergo an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, market capitalisation lower than the company's net book value, in the case of securities listed on active markets or in the case of securities quoted on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

Other non-financial assets

Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
As concerns property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to deem that previous estimates are no longer accurate, and in any case every three years. Impairment is recorded only in the case that the fair value less costs to sell or value in use is lower than the carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process, and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.
The book value of the CGUs must be determined in a manner consistent with the criteria used to determine their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore their book value must be determined in accordance with the scope of the estimation of the recoverable amount and must, therefore, also include the financial assets/liabilities. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram, Public Finance and International Subsidiary Banks) is determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate & Investment Banking), given that the Parent company contributes to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a

consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision provisions in force. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate “g” for the purposes of the so-called terminal value. The “g” rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset’s specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect market conditions and different economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the “Country Risk”.
The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Business combinations

Business combinations are governed by IFRS 3. In 2009, the Intesa Sanpaolo Group opted for the early adoption of the amendments to IFRS 3 introduced by Regulation 495/2009, as permitted by the Standard. IFRS 3 (revised) was applied along with the amendments to IAS 27 introduced by Regulation 494/2009. As mentioned earlier, the early adoption of the above amendments, which will become mandatory in 2010, had no financial effects on 2009 since no business combinations took place during the year.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity’s voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of the Articles of Association or of an agreement, (iii) to appoint or remove the majority of the members of the company’s governing body, (iv) to cast the majority of the votes at meetings of the company’s governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The transferred consideration as part of a business combination is equal to the sum of the fair value, as at the transaction date, of the assets sold, the liabilities undertaken and the capital instruments issued by the acquirer in exchange for acquisition of control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments) purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; in case payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the relevant paragraph and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as the registration of debt securities' or equities' and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are

provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred over the above fair values is recognised as goodwill and is allocated to the Cash-generating units identified within the Intesa Sanpaolo Group. If the consideration is lower, the difference is taken to income statement.
The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined within the end of the year in which the combination is realised and must be definitively determined within twelve months from the acquisition date.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement. Upon acquisition of control, total goodwill is redetermined on the basis of fair value at the acquisition date of the identifiable assets and liabilities of the acquired company.
Registration of further minority stakes in already-controlled companies occurs based on the so-called "economic entity" theory, as per IAS 27 amended by Regulation 494/2009, which states that the Consolidated financial statements represent all the resources available for the company intended as an entity which is economically autonomous from those who exercise control over it. Therefore, considering the group as a whole, the differences between acquisition cost and book value of acquired minority stakes are posted under the Group's shareholders' equity. Likewise, sales of minority stakes without the loss of control do not generate profits/losses in the income statement but changes in the group's shareholders' equity.
The following combinations are outside the scope of IFRS 3 – business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the consistency of the values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
– if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
– if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

Criteria for the preparation of segment reporting
The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into 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 allows 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 factories/service units and relationship entities/customer units. Each segment has been 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 have been calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.

Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

A.3 – INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2009	Fair value at 31.12.2009	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	4,004	3,639	67	96	-2	147
Debt securities	Financial assets held for trading	Financial assets available for sale	116	116	-3	6	-3	6
Shares and funds	Financial assets held for trading	Financial assets available for sale	100	100	8	2	8	2
Debt securities	Financial assets available for sale	Loans	6,058	5,451	164	199	-69	182
Loans	Financial assets available for sale	Loans	367	342	26	-	-	-
TOTAL			**10,645**	**9,648**	**262**	**303**	**-66**	**337**

The income components related to net reductions attributable to the risk profile being hedged of reclassified assets amount to 64 million euro.

Had the Group not reclassified the above financial assets, positive income components would have been recognised for an amount of 262 million euro, instead of negative income components of 66 million euro, generating a positive effect of 328 million euro, broken down as follows:
- write-off of the negative income components recognised during the year following the 66 million euro transfer. Of this amount, 7 million euro relates to adjustments, 64 million euro to fair value decreases following hedges and 5 million euro to the increase in the Valuation reserves;
- reversal of the positive income components which would have been recognised had no transfer taken place, totalling 262 million euro. Of this amount, 72 million euro refers to the revaluation of reclassified securities in the income statement, 67 million euro to fair value decreases following hedges and 257 million euro to the increase in the Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 34 million euro would have not been recognised. This amount is entirely related to the amortised cost of the reclassified securities.
Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2009 would have been written down by 997 million euro, of which 387 million to be recognised in the income statement (negative components for 2008: 459 million euro and positive components for 2009: 72 million euro) and 610 million euro to be recognised in the Valuation reserves (31 December 2008: 862 million euro, with a negative net variation of 252 million, comprised of a negative variation of 257 million euro, had no transfer occurred, and a positive variation of 5 million, in the case of a transfer).

As at 31 December 2009, reclassifications amount to a nominal 10,947 million euro. Of this amount:
- 8,194 million euro was reclassified by 1 November 2008 and therefore taking as reference the value of these assets at 1 July 2008 if already present at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
- 2,753 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure largely refers to reclassifications carried out in 2009 concerning structured credit products (2,645 million) arising from the transformation of unfunded instruments (derivatives) into funded instruments (securities), while maintaining the same risk profile to which the Group is exposed.

A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Gains/losses through profit and loss (before tax)		Gains/losses through shareholders' equity (before tax)	
			31.12.2009	31.12.2008	31.12.2009	31.12.2008
Debt securities	Financial assets held for trading	Loans	-7	-8	-	-
Debt securities	Financial assets available for sale	Loans	-	19	-25	4
TOTAL			**-7**	**11**	**-25**	**4**

A.3.1.3 Transfer of financial assets held for trading

The recent financial crisis was classed by the IASB as a rare circumstance. Consequently, the Intesa Sanpaolo Group has identified certain securities - mainly consisting of bonds not quoted on active markets originally classified under trading assets which due to present and prospective market conditions could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category and financial assets available for sale. With respect to the trading book, mainly structured credit products held by Intesa Sanpaolo and Banca IMI were reclassified.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets

The effective interest rate attributable to the reclassified securities portfolio is equal to 3.1% and estimated cash flows at the date financial assets were reclassified amount to 10,840 million euro.

A.3.2. Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level

(millions of euro)

Financial assets / liabilities at fair value	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	24,777	43,668	1,380	14,602	45,510	968
2. Financial assets designated at fair value through profit or loss	20,345	1,408	212	13,343	6,275	109
3. Financial assets available for sale	30,359	3,841	1,695	24,154	3,177	1,752
4. Hedging derivatives	-	7,008	-	-	5,385	4
Total	**75,481**	**55,925**	**3,287**	**52,099**	**60,347**	**2,833**
1. Financial liabilities held for trading	2,878	38,898	473	2,974	41,978	918
2. Financial liabilities designated at fair value through profit or loss	464	25,423	-	-	25,119	-
3. Hedging derivatives	-	5,179	-	-	5,084	2
Total	**3,342**	**69,500**	**473**	**2,974**	**72,181**	**920**

For the purposes of the above table, which replaces the previous quoted/unquoted breakdown of financial instruments, with respect to the figures as at 31 December 2008, instruments previously classified as quoted have been conventionally assumed as level 1.

A.3.2.2 Annual changes in financial assets designated at fair value through profit and loss (level 3)

(millions of euro)

	FINANCIAL ASSETS			
	held for trading	designated at fair value through profit or loss	available for sale	for hedging purposes
1. Initial amount	**968**	**109**	**1,752**	**4**
2. Increases	**1,262**	**105**	**596**	**-**
2.1 Purchases	**561**	**38**	**376**	**-**
2.2 Gains recognised in:	179	29	104	-
2.2.1 Income statement	*179*	*29*	*4*	-
- of which capital gains	*152*	*29*	*4*	-
2.2.2 Shareholders' equity	*X*	*X*	*100*	-
2.3 Transfers from other levels	511	-	46	-
2.4 Other increases	11	38	70	-
3. Decreases	**-850**	**-2**	**-653**	**-4**
3.1 Sales	-434	-	-513	-
3.2 Reimbursements	-102	-	-24	-2
3.3 Losses recognized in:	-230	-2	-70	-
3.3.1 Income statement	*-230*	*-2*	*-21*	-
- of which capital losses	*-202*	*-2*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-49*	-
3.4 Transfers to other levels	-84	-	-7	-
3.5 Other decreases	-	-	-39	-2
4. Final amount	**1,380**	**212**	**1,695**	**-**

"Transfers from other levels" are mainly due to the changes made during the year to hedge fund pricing models, which introduced individual valuations.

A.3.2.3 Annual changes in financial liabilities designated at fair value through profit and loss (level 3)

(millions of euro)

	FINANCIAL LIABILITIES		
	held for trading	**designated at fair value through profit or loss**	**for hedging purposes**
1. Initial amount	**918**	**-**	**2**
2. Increases	**57**	**-**	**-**
2.1 Issues	**-**	**-**	**-**
2.2 Losses recognised in:	55	-	-
2.2.1 Income statement	*55*	-	-
- of which capital losses	*55*	-	-
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	2	-	-
3. Decreases	**-502**	**-**	**-2**
3.1 Reimbursements	-364	-	-2
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-138	-	-
3.3.1 Income statement	*-138*	-	-
- of which capital gains	*-138*	-	-
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Final amount	**473**	**-**	**-**

Repayments include the early completion of derivative transactions.

The sensitivity analysis of level 3 financial assets and liabilities shows a 30 million euro[3] decrease in fair value due to complex credit derivatives, when the following parameters change:
- risk-neutral probability of default derived from market spreads (10%);
- recovery rate (from 5% to 25%, based on the type of risk of the underlying product),
- correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
- expected residual life of the contract (one-year increase over the expected term).

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book in Part E of these Notes to the consolidated financial statements.

A.3.3.3 Information on the "Day one profit/loss"

Revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin. At 31 December 2009, 37 million euro was deferred given the use of a valuation technique for the most complex instruments that gave rise to the discrepancy between the fair value and the amount determined using non-observable parameters which cannot be attributed to risk factors or business margins. With respect to the amount deferred at 31 December 2008, the portion taken to income statement was a positive 9 million euro.

[3] This amount is shown net of the adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments (see paragraph "Fair value measurement" above).

Part B – Information on the consolidated balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2009	31.12.2008
a) Cash	3,386	4,124
b) On demand deposits with Central Banks	5,026	3,711
TOTAL	**8,412**	**7,835**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	23,320	6,520	532	12,126	3,741	681
1.1 structured securities	*18*	*496*	-	*237*	*217*	-
1.2 other debt securities	*23,302*	*6,024*	*532*	*11,889*	*3,524*	*681*
2. Equities	120	32	-	229	47	-
3. Quotas of UCI	753	26	717	1,514	367	73
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**24,193**	**6,578**	**1,249**	**13,869**	**4,155**	**754**
B. Derivatives						
1. Financial derivatives	584	34,827	7	733	37,074	-
1.1 trading	*581*	*34,687*	*7*	*731*	*36,931*	-
1.2 fair value option	-	*11*	-	-	*5*	-
1.3 other	*3*	*129*	-	*2*	*138*	-
2. Credit derivatives	-	2,263	124	-	4,281	214
2.1 trading	-	*2,263*	*124*	-	*4,281*	*214*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**584**	**37,090**	**131**	**733**	**41,355**	**214**
TOTAL (A+B)	**24,777**	**43,668**	**1,380**	**14,602**	**45,510**	**968**

2.1 Of which: Banking group

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	23,238	6,475	532	11,955	3,741	681
1.1 structured securities	*18*	*496*	-	*237*	*217*	-
1.2 other debt securities	*23,220*	*5,979*	*532*	*11,718*	*3,524*	*681*
2. Equities	120	32	-	229	47	-
3. Quotas of UCI	591	26	717	1,441	367	73
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**23,949**	**6,533**	**1,249**	**13,625**	**4,155**	**754**
B. Derivatives						
1. Financial derivatives	581	34,809	7	731	37,030	-
1.1 trading	*581*	*34,680*	*7*	*731*	*36,914*	-
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*129*	-	-	*116*	-
2. Credit derivatives	-	2,263	124	-	4,281	214
2.1 trading	-	*2,263*	*124*	-	*4,281*	*214*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**581**	**37,072**	**131**	**731**	**41,311**	**214**
TOTAL (A+B)	**24,530**	**43,605**	**1,380**	**14,356**	**45,466**	**968**

2.1 Of which: Insurance companies

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	82	45	-	171	-	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*82*	*45*	-	*171*	-	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	162	-	-	73	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**244**	**45**	**-**	**244**	**-**	**-**
B. Derivatives						
1. Financial derivatives	3	18	-	2	44	-
1.1 trading	-	*7*	-	-	*17*	-
1.2 fair value option	-	*11*	-	-	*5*	-
1.3 other	*3*	-	-	*2*	*22*	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**3**	**18**	**-**	**2**	**44**	**-**
TOTAL (A+B)	**247**	**63**	**-**	**246**	**44**	**-**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
A) CASH ASSETS					
1. Debt securities	**30,372**	*30,245*	*127*	-	**16,548**
a) Governments and Central Banks	20,673	*20,668*	*5*	-	7,269
b) Other public entities	1,751	*1,751*	-	-	1,157
c) Banks	4,401	*4,363*	*38*	-	3,785
d) Other issuers	3,547	*3,463*	*84*	-	4,337
2. Equities	**152**	*152*	-	-	**276**
a) Banks	10	*10*	-	-	64
b) Other issuers	142	*142*	-	-	212
- insurance companies	*3*	*3*	-	-	*27*
- financial institutions	*26*	*26*	-	-	*30*
- non-financial companies	*113*	*113*	-	-	*155*
- other	-	-	-	-	-
3. Quotas of UCI	**1,496**	*1,334*	*162*	-	**1,954**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
Total A	**32,020**	*31,731*	*289*	-	**18,778**
B) DERIVATIVES					
a) Banks	30,261	*30,240*	*21*	-	33,817
- fair value	*30,261*	*30,240*	*21*	-	33,817
b) Customers	7,544	*7,544*	-	-	8,485
- fair value	*7,544*	*7,544*	-	-	8,485
Total B	**37,805**	*37,784*	*21*	-	**42,302**
TOTAL (A+B)	**69,825**	*69,515*	*310*	-	**61,080**

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,548**	**276**	**1,954**	**-**	**18,778**
B. Increases	**409,353**	**15,582**	**9,917**	**-**	**434,852**
B.1 purchases	404,068	15,346	9,565	-	428,979
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	383	18	205	-	606
B.3 other changes	4,902	218	147	-	5,267
C. Decreases	**-395,529**	**-15,706**	**-10,375**	**-**	**-421,610**
C.1 sales	-367,330	-15,258	-10,184	-	-392,772
of which business combinations	-	-	-	-	-
C.2 reimbursements	-22,162	-	-13	-	-22,175
C.3 negative fair value differences	-174	-17	-50	-	-241
C.4 trasfers to other portfolios	-1,276	-	-	-	-1,276
C.5 other changes	-4,587	-431	-128	-	-5,146
D. Final amount	**30,372**	**152**	**1,496**	**-**	**32,020**

2.3 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,377**	**276**	**1,881**	**-**	**18,534**
B. Increases	**409,272**	**15,582**	**9,721**	**-**	**434,575**
B.1 purchases	404,024	15,346	9,391	-	428,761
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	370	18	189	-	577
B.3 other changes	4,878	218	141	-	5,237
C. Decreases	**-395,404**	**-15,706**	**-10,268**	**-**	**-421,378**
C.1 sales	-367,246	-15,258	-10,077	-	-392,581
of which business combinations	-	-	-	-	-
C.2 reimbursements	-22,127	-	-13	-	-22,140
C.3 negative fair value differences	-169	-17	-50	-	-236
C.4 trasfers to other portfolios	-1,276	-	-	-	-1,276
C.5 other changes	-4,586	-431	-128	-	-5,145
D. Final amount	**30,245**	**152**	**1,334**	**-**	**31,731**

2.3 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**171**	**-**	**73**	**-**	**244**
B. Increases	**81**	**-**	**196**	**-**	**277**
B.1 purchases	44	-	174	-	218
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	13	-	16	-	29
B.3 other changes	24	-	6	-	30
C. Decreases	**-125**	**-**	**-107**	**-**	**-232**
C.1 sales	-84	-	-107	-	-191
of which business combinations	-	-	-	-	-
C.2 reimbursements	-35	-	-	-	-35
C.3 negative fair value differences	-5	-	-	-	-5
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-1	-	-	-	-1
D. Final amount	**127**	**-**	**162**	**-**	**289**

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,951	1,406	20	11,588	524	-
1.1 structured securities	*586*	-	-	*582*	-	-
1.2 other debt securities	*9,365*	*1,406*	*20*	*11,006*	*524*	-
2. Equities	2,273	-	-	1,688	-	-
3. Quotas of UCI	8,121	2	157	67	5,744	87
4. Loans	-	-	35	-	7	22
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	*35*	-	*7*	*22*
Total	**20,345**	**1,408**	**212**	**13,343**	**6,275**	**109**
Cost	**19,708**	**1,381**	**155**	**13,756**	**6,936**	**109**

3.1 Of which: Banking group

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	354	368	-	545	523	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*354*	*368*	-	*545*	*523*	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	27	-	149	-	16	87
4. Loans	-	-	-	-	7	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	*7*	-
Total	**381**	**368**	**149**	**545**	**546**	**87**
Cost	**381**	**428**	**121**	**471**	**556**	**87**

The Group has classified in this category some debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

3.1 Of which: Insurance companies

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,597	1,038	20	11,043	1	-
1.1 structured securities	*586*	-	-	*582*	-	-
1.2 other debt securities	*9,011*	*1,038*	*20*	*10,461*	*1*	-
2. Equities	2,273	-	-	1,688	-	-
3. Quotas of UCI	8,094	2	8	67	5,728	-
4. Loans	-	-	35	-	-	22
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	*35*	-	-	*22*
Total	**19,964**	**1,040**	**63**	**12,798**	**5,729**	**22**
Cost	**19,327**	**953**	**34**	**13,285**	**6,380**	**22**

Assets designated at fair value essentially included assets in which money is collected through insurance policies where the total risk is retained by the insured (so-called Class D).

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**11,377**	*722*	*10,655*	-	**12,112**
a) Governments and Central Banks	8,147	*430*	*7,717*	-	8,378
b) Other public entities	41	*14*	*27*	-	78
c) Banks	979	*160*	*819*	-	1,209
d) Other issuers	2,210	*118*	*2,092*	-	2,447
2. Equities	**2,273**	-	*2,273*	-	**1,688**
a) Banks	241	-	*241*	-	144
b) Other issuers	2,032	-	*2,032*	-	1,544
- insurance companies	*88*	-	*88*	-	*76*
- financial institutions	*85*	-	*85*	-	*57*
- non-financial companies	*1,704*	-	*1,704*	-	*1,310*
- other	*155*	-	*155*	-	*101*
3. Quotas of UCI	**8,280**	*176*	*8,104*	-	**5,898**
4. Loans	**35**	-	*35*	-	**29**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	29	-	*29*	-	20
d) Other counterparties	6	-	*6*	-	9
TOTAL	**21,965**	*898*	*21,067*	-	**19,727**

3.3 Financial assets designated at fair value through profit and loss: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**12,112**	**1,688**	**5,898**	**29**	**19,727**
B. Increases	**3,423**	**1,118**	**4,965**	**22**	**9,528**
B.1 purchases	2,258	107	2,540	-	4,905
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	903	792	628	-	2,323
B.3 other changes	262	219	1,797	22	2,300
C. Decreases	**-4,158**	**-533**	**-2,583**	**-16**	**-7,290**
C.1 sales	-2,858	-9	-998	-	-3,865
of which business combinations	-	-	-	-	-
C.2 reimbursements	-649	-	-	-	-649
C.3 negative fair value differences	-141	-41	-6	-	-188
C.4 other changes	-510	-483	-1,579	-16	-2,588
D. Final amount	**11,377**	**2,273**	**8,280**	**35**	**21,965**

3.3 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**1,068**	**-**	**103**	**7**	**1,178**
B. Increases	**261**	**-**	**94**	**-**	**355**
B.1 purchases	194	-	64	-	258
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	60	-	29	-	89
B.3 other changes	7	-	1	-	8
C. Decreases	**-607**	**-**	**-21**	**-7**	**-635**
C.1 sales	-209	-	-20	-	-229
of which business combinations	-	-	-	-	-
C.2 reimbursements	-194	-	-	-	-194
C.3 negative fair value differences	-57	-	-1	-	-58
C.4 other changes	-147	-	-	-7	-154
D. Final amount	**722**	**-**	**176**	**-**	**898**

3.3 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**11,044**	**1,688**	**5,795**	**22**	**18,549**
B. Increases	**3,162**	**1,118**	**4,871**	**22**	**9,173**
B.1 purchases	2,064	107	2,476	-	4,647
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	843	792	599	-	2,234
B.3 other changes	255	219	1,796	22	2,292
C. Decreases	**-3,551**	**-533**	**-2,562**	**-9**	**-6,655**
C.1 sales	-2,649	-9	-978	-	-3,636
of which business combinations	-	-	-	-	-
C.2 reimbursements	-455	-	-	-	-455
C.3 negative fair value differences	-84	-41	-5	-	-130
C.4 other changes	-363	-483	-1,579	-9	-2,434
D. Final amount	**10,655**	**2,273**	**8,104**	**35**	**21,067**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	28,177	2,873	272	22,578	2,440	394
1.1 Structured securities	*64*	*29*	*-*	*16*	*432*	*-*
1.2 Other debt securities	*28,113*	*2,844*	*272*	*22,562*	*2,008*	*394*
2. Equities	1,672	898	1,127	1,492	414	1,024
2.1 Measured at fair value	*1,672*	*893*	*1,110*	*1,492*	*409*	*1,000*
2.2 Measured at cost	*-*	*5*	*17*	*-*	*5*	*24*
3. Quotas of UCI	510	60	230	84	306	133
4. Loans	-	10	66	-	17	201
TOTAL	**30,359**	**3,841**	**1,695**	**24,154**	**3,177**	**1,752**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

4.1 Of which: Banking group

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	10,497	2,374	255	8,107	2,425	389
1.1 Structured securities	*64*	*29*	*-*	*16*	*432*	*-*
1.2 Other debt securities	*10,433*	*2,345*	*255*	*8,091*	*1,993*	*389*
2. Equities	848	898	1,040	789	414	1,024
2.1 Measured at fair value	*848*	*893*	*1,023*	*789*	*409*	*1,000*
2.2 Measured at cost	*-*	*5*	*17*	*-*	*5*	*24*
3. Quotas of UCI	292	60	230	61	226	133
4. Loans	-	10	66	-	17	201
TOTAL	**11,637**	**3,342**	**1,591**	**8,957**	**3,082**	**1,747**

4.1 Of which: Insurance companies

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	17,680	499	17	14,471	15	5
1.1 Structured securities	*-*	*-*	*-*	*-*	*-*	*-*
1.2 Other debt securities	*17,680*	*499*	*17*	*14,471*	*15*	*5*
2. Equities	824	-	87	703	-	-
2.1 Measured at fair value	*824*	*-*	*87*	*703*	*-*	*-*
2.2 Measured at cost	*-*	*-*	*-*	*-*	*-*	*-*
3. Quotas of UCI	218	-	-	23	80	-
4. Loans	-	-	-	-	-	-
TOTAL	**18,722**	**499**	**104**	**15,197**	**95**	**5**

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
1. Debt securities	**31,322**	*13,126*	*18,196*	-	**25,412**
a) Governments and Central Banks	22,815	*9,420*	*13,395*	-	17,033
b) Other public entities	527	*148*	*379*	-	1,430
c) Banks	3,390	*1,954*	*1,436*	-	3,338
d) Other issuers	4,590	*1,604*	*2,986*	-	3,611
2. Equities	**3,697**	*2,786*	*911*	-	**2,930**
a) Banks	914	*836*	*78*	-	447
b) Other issuers	2,783	*1,950*	*833*	-	2,483
- insurance companies	*580*	*431*	*149*	-	*571*
- financial institutions	*373*	*363*	*10*	-	*359*
- non-financial companies	*1,829*	*1,155*	*674*	-	*1,420*
- other	*1*	*1*	-	-	*133*
3. Quotas of UCI	**800**	*582*	*218*	-	**523**
4. Loans	**76**	*76*	-	-	**218**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	11	*11*	-	-	12
d) Other counterparties	65	*65*	-	-	206
TOTAL	**35,895**	*16,570*	*19,325*	-	**29,083**

Equities issued by non-financial companies include several positions resulting from the conversion of loans.

4.3 Financial assets available for sale with specific hedges

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
1. Financial assets with specific fair value hedges	**6,811**	*5,653*	*1,158*	-	**3,178**
a) Interest rate risk	6,768	*5,610*	*1,158*	-	3,135
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	43	*43*	-	-	43
2. Financial assets with specific cash flow hedges	**-**	-	-	-	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**6,811**	*5,653*	*1,158*	-	**3,178**

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**25,412**	**2,930**	**523**	**218**	**29,083**
B. Increases	**41,058**	**1,977**	**648**	**42**	**43,725**
B.1 purchases	39,535	609	571	3	40,718
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	681	319	35	1	1,036
B.3 write-backs recognised in:	159	7	7	-	173
- income statement	-	*X*	-	-	-
- shareholders' equity	*159*	*7*	*7*	-	*173*
B.4 transfers from other portfolios	-	475	-	-	475
B.5 other changes	683	567	35	38	1,323
C. Decreases	**-35,148**	**-1,210**	**-371**	**-184**	**-36,913**
C.1 sales	-22,548	-776	-333	-164	-23,821
of which business combinations	-	-	-	-	-
C.2 reimbursements	-10,627	-5	-4	-9	-10,645
C.3 negative fair value differences	-143	-91	-11	-1	-246
C.4 impairment losses recognised in:	-7	-227	-22	-	-256
- income statement	*-7*	*-227*	*-22*	-	*-256*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-1,257	-1	-	-	-1,258
C.6 other changes	-566	-110	-1	-10	-687
D. Final amount	**31,322**	**3,697**	**800**	**76**	**35,895**

4.4 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**10,921**	**2,227**	**420**	**218**	**13,786**
B. Increases	**20,311**	**1,121**	**482**	**42**	**21,956**
B.1 purchases	19,525	119	422	3	20,069
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	470	276	25	1	772
B.3 write-backs recognised in:	159	6	7	-	172
- income statement	-	*X*	-	-	-
- shareholders' equity	*159*	*6*	*7*	-	*172*
B.4 transfers from other portfolios	-	475	-	-	475
B.5 other changes	157	245	28	38	468
C. Decreases	**-18,106**	**-562**	**-320**	**-184**	**-19,172**
C.1 sales	-8,045	-310	-294	-164	-8,813
of which business combinations	-	-	-	-	-
C.2 reimbursements	-8,349	-5	-4	-9	-8,367
C.3 negative fair value differences	-52	-48	-8	-1	-109
C.4 impairment losses recognised in:	-5	-149	-14	-	-168
- income statement	*-5*	*-149*	*-14*	-	*-168*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-1,257	-1	-	-	-1,258
C.6 other changes	-398	-49	-	-10	-457
D. Final amount	**13,126**	**2,786**	**582**	**76**	**16,570**

4.4 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**14,491**	**703**	**103**	**-**	**15,297**
B. Increases	**20,747**	**856**	**166**	**-**	**21,769**
B.1 purchases	20,010	490	149	-	20,649
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	211	43	10	-	264
B.3 write-backs recognised in	-	1	-	-	1
- income statement	-	*X*	-	-	-
- shareholders' equity	-	*1*	-	-	*1*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	526	322	7	-	855
C. Decreases	**-17,042**	**-648**	**-51**	**-**	**-17,741**
C.1 sales	-14,503	-466	-39	-	-15,008
of which business combinations	-	-	-	-	-
C.2 reimbursements	-2,278	-	-	-	-2,278
C.3 negative fair value differences	-91	-43	-3	-	-137
C.4 impairment losses recognised in	-2	-78	-8	-	-88
- income statement	*-2*	*-78*	*-8*	-	*-88*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-168	-61	-1	-	-230
D. Final amount	**18,196**	**911**	**218**	**-**	**19,325**

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable. The detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
Given the persistent volatility of the financial markets, the Intesa Sanpaolo Group has integrated its impairment test management policy by identifying the quantitative and duration thresholds beyond which the reduction in fair value of equity instruments "automatically" results in the recognition of a write-down in the income statement.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a substantial or prolonged reduction in fair value below the initial recognition value is considered significant; more specifically, a reduction in fair value of over 30% is considered substantial, and a continuous reduction for a period of over 24 months is considered prolonged. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
The analyses performed identified the need to recognise impairment losses on several equity investments; the main write-downs regarded Parmalat (44 million euro) and Iride (33 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	4,560	4,507	-	-	5,571	5,469	-	-
Structured securities	*102*	*101*	-	-	*103*	*103*	-	-
Other	*4,458*	*4,406*	-	-	*5,468*	*5,366*	-	-
2. Loans	1	-	-	-	1	-	-	-
TOTAL	**4,561**	**4,507**	**-**	**-**	**5,572**	**5,469**	**-**	**-**

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.

5.1 Of which: Banking group

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	4,560	4,507	-	-	5,571	5,469	-	-
Structured securities	*102*	*101*	-	-	*103*	*103*	-	-
Other	*4,458*	*4,406*	-	-	*5,468*	*5,366*	-	-
2. Loans	1	-	-	-	1	-	-	-
TOTAL	**4,561**	**4,507**	**-**	**-**	**5,572**	**5,469**	**-**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**4,560**	*4,560*	-	-	**5,571**
a) Governments and Central Banks	3,896	*3,896*	-	-	4,715
b) Other public entities	55	*55*	-	-	73
c) Banks	337	*337*	-	-	490
d) Other issuers	272	*272*	-	-	293
2. Loans	**1**	*1*	-	-	**1**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	1	*1*	-	-	1
TOTAL	**4,561**	*4,561*	-	-	**5,572**
TOTAL FAIR VALUE	**4,507**	*4,507*	-	-	**5,469**

5.3 Investments held to maturity with specific hedges

As at 31 December 2009, no investments held to maturity with specific hedges were recorded.

5.4 Investments held to maturity: annual changes

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**5,571**	**1**	**5,572**
B. Increases	**315**	**-**	**315**
B.1 purchases	282	-	282
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	33	-	33
C. Decreases	**-1,326**	**-**	**-1,326**
C.1 sales	-11	-	-11
of which business combinations	-	-	-
C.2 reimbursements	-1,194	-	-1,194
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-121	-	-121
D. Final amount	**4,560**	**1**	**4,561**

5.4 Of which: Banking group

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**5,571**	**1**	**5,572**
B. Increases	**315**	**-**	**315**
B.1 purchases	282	-	282
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	33	-	33
C. Decreases	**-1,326**	**-**	**-1,326**
C.1 sales	-11	-	-11
of which business combinations	-	-	-
C.2 reimbursements	-1,194	-	-1,194
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-121	-	-121
D. Final amount	**4,560**	**1**	**4,561**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
A. Due from Central Banks	**12,418**	*12,418*	-	-	**4,486**
1. Time deposits	1,151	*1,151*	-	-	1,633
2. Compulsory reserve	10,712	*10,712*	-	-	2,110
3. Repurchase agreements	369	*369*	-	-	742
4. Other	186	*186*	-	-	1
B. Due from banks	**30,824**	*30,760*	*64*	-	**51,885**
1. Current accounts and deposits	3,506	*3,485*	*21*	-	10,043
2. Time deposits	6,824	*6,824*	-	-	8,626
3. Other loans	15,258	*15,258*	-	-	31,397
3.1 Reverse repurchase agreements	*5,995*	*5,995*	-	-	*23,386*
3.2 Financial leases	*5*	*5*	-	-	*7*
3.3 Other	*9,258*	*9,258*	-	-	*8,004*
4. Debt securities	5,236	*5,193*	*43*	-	1,819
4.1 Structured	*205*	*205*	-	-	*163*
4.2 Other	*5,031*	*4,988*	*43*	-	*1,656*
TOTAL (book value)	**43,242**	*43,178*	*64*	-	**56,371**
TOTAL (fair value)	***43,241***	*43,177*	*64*	-	**56,202**

Non-performing loans due from banks amounted to 30 million euro as at 31 December 2009 and 32 million euro as at 31 December 2008.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Due from banks with specific fair value hedges	**437**	**230**
a) Interest rate risk	437	230
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**437**	**230**

6.3 Financial leases

Financial lease receivables included under Due from banks are immaterial.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2009		*Of which:*						31.12.2008	
			Banking group		*Insurance companies*		*Other companies*			
	Performing	**Non-performing**	*Performing*	*Non-performing*	*Performing*	*Non-performing*	*Performing*	*Non-performing*	**Performing**	**Non-performing**
1. Current accounts	32,323	2,340	*31,862*	*2,340*	-	-	*461*	-	37,942	1,533
2. Reverse repurchase agreements	10,586	-	*10,586*	-	-	-	-	-	8,177	-
3. Mortgages	164,620	9,935	*164,620*	*9,935*	-	-	-	-	168,876	5,984
4. Credit card loans, personal loans and transfer of one fifth of salaries	14,626	630	*14,626*	*630*	-	-	-	-	15,675	443
5. Financial leases	21,263	1,853	*21,163*	*1,849*	-	-	*100*	*4*	22,064	1,171
6. Factoring	7,937	627	*7,937*	*627*	-	-	-	-	8,322	804
7. Other operations	83,706	5,029	*83,695*	*5,029*	*11*	-	-	-	107,113	1,589
8. Debt securities	18,527	31	*17,692*	*31*	*104*	-	*731*	-	15,496	-
8.1 Structured securities	*242*	-	*242*	-	-	-	-	-	*2,076*	-
8.2 Other debt securities	*18,285*	*31*	*17,450*	*31*	*104*	-	*731*	-	*13,420*	-
TOTAL (book value)	**353,588**	**20,445**	*352,181*	*20,441*	*115*	-	*1,292*	*4*	**383,665**	**11,524**
TOTAL (fair value)	**353,181**	**20,355**	*351,836*	*20,351*	*106*	-	*1,239*	*4*	**381,369**	**8,912**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2009		*Of which:*						31.12.2008	
			Banking group		*Insurance companies*		*Other companies*			
	Performing	**Non-performing**	*Performing*	*Non-performing*	*Performing*	*Non-performing*	*Performing*	*Non-performing*	**Performing**	**Non-performing**
1. Debt securities	**18,527**	**31**	*17,692*	*31*	*104*	-	*731*	-	**15,496**	**-**
a) Governments	3,210	-	*3,110*	-	*100*	-	-	-	2,190	-
b) Other public entities	5,687	-	*5,687*	-	-	-	-	-	5,048	-
c) Other issuers	9,630	31	*8,895*	*31*	*4*	-	*731*	-	8,258	-
- non-financial companies	*1,803*	*2*	*1,803*	*2*	-	-	-	-	*1,067*	-
- financial institutions	*5,907*	*29*	*5,176*	*29*	-	-	*731*	-	*5,159*	-
- insurance companies	*1,891*	-	*1,889*	-	*2*	-	-	-	*1,854*	-
- other	*29*	-	*27*	-	*2*	-	-	-	*178*	-
2. Loans	**335,061**	**20,414**	*334,489*	*20,410*	*11*	-	*561*	*4*	**368,169**	**11,524**
a) Governments	4,725	11	*4,725*	*11*	-	-	-	-	2,915	11
b) Other public entities	15,850	255	*15,850*	*255*	-	-	-	-	14,652	616
c) Other counterparties	314,486	20,148	*313,914*	*20,144*	*11*	-	*561*	*4*	350,602	10,897
- non-financial companies	*200,691*	*15,181*	*200,600*	*15,178*	-	-	*91*	*3*	*232,381*	*7,830*
- financial institutions	*26,324*	*409*	*25,864*	*409*	-	-	*460*	-	*28,848*	*123*
- insurance companies	*139*	-	*139*	-	-	-	-	-	*168*	-
- other	*87,332*	*4,558*	*87,311*	*4,557*	*11*	-	*10*	*1*	*89,205*	*2,944*
TOTAL	**353,588**	**20,445**	*352,181*	*20,441*	*115*	-	*1,292*	*4*	**383,665**	**11,524**

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Loans to customers with specific fair value hedges	**29,278**	**29,568**
a) Interest rate risk	29,278	29,568
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**29,278**	**29,568**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of floating rate funding represented by securities, to the extent to which this is used to finance fixed rate investments, or via specific fair value hedges.

7.4 Financial leases

(millions of euro)

Time bands	31.12.2009						
	Explicit loans	Loans for assets to be leased	Minimum lease payments			Gross investment	
			Capital	*of which guaranteed residual value*	Interest		*of which unguaranteed residual value*
Up to 3 months	73	1	872	*11*	243	1,115	*92*
Between 3 and 12 months	227	5	2,464	*25*	689	3,153	*62*
Between 1 and 5 years	93	1,161	9,087	*99*	2,285	11,372	*517*
Over 5 years	5	28	8,615	*43*	2,172	10,787	*27*
Unspecified maturity	376	-	791	-	-	791	*7*
Total, gross	**774**	**1,195**	**21,829**	***178***	**5,389**	**27,218**	***705***
Adjustments	-263	-8	-372	-	-1	-373	-132
- individual	*-191*	-	*-210*	-	*-1*	*-211*	*-46*
- collective	*-72*	*-8*	*-162*	-	-	*-162*	*-86*
Total, net	**511**	**1,187**	**21,457**	***178***	**5,388**	**26,845**	***573***

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Derivatives are considered quoted only if traded on regulated markets. For futures, on the basis of the instructions issued by the Bank of Italy, the relative margins are recorded under Loans to customers.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2009			Notional value 31.12.2009	Fair value 31.12.2008			Notional value 31.12.2008
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,008**	**-**	**170,960**	**-**	**5,385**	**4**	**111,602**
1) fair value	-	6,989	-	165,460	-	5,378	2	110,683
2) cash flows	-	19	-	5,500	-	7	2	919
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,008**	**-**	**170,960**	**-**	**5,385**	**4**	**111,602**

8.1 Of which: Banking group

(millions of euro)

	Fair value 31.12.2009			Notional value 31.12.2009	Fair value 31.12.2008			Notional value 31.12.2008
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**6,995**	**-**	**169,109**	**-**	**5,385**	**4**	**111,602**
1) fair value	-	6,988	-	165,040	-	5,378	2	110,683
2) cash flows	-	7	-	4,069	-	7	2	919
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,995**	**-**	**169,109**	**-**	**5,385**	**4**	**111,602**

8.1 Of which: Other companies

Amounts attributable to other companies for 13 million euro were recorded, for a total notional value of 1,851 million euro.

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

(millions of euro)

Operations/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific								
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks	Generic	Specific	Generic	
1. Financial assets available for sale	5	24	-	-	4	X	-	X	X
2. Loans	36	-	-	X	10	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	9	X	3	X
5. Other transactions	1	-	-	-	-	X	-	X	-
Total assets	**42**	**24**	**-**	**-**	**14**	**9**	**-**	**3**	**-**
1. Financial liabilities	4,610	-	-	X	127	X	15	X	X
2. Portfolio	X	X	X	X	X	2,162	X	2	X
Total liabilities	**4,610**	**-**	**-**	**-**	**127**	**2,162**	**15**	**2**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

8.2 Of which: Banking group

(millions of euro)

Operations/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific								
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks	Generic	Specific	Generic	
1. Financial assets available for sale	5	24	-	-	4	X	-	X	X
2. Loans	36	-	-	X	10	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	9	X	3	X
5. Other transactions	1	-	-	-	-	X	-	X	-
Total assets	**42**	**24**	**-**	**-**	**14**	**9**	**-**	**3**	**-**
1. Financial liabilities	4,610	-	-	X	127	X	2	X	X
2. Portfolio	X	X	X	X	X	2,162	X	2	X
Total liabilities	**4,610**	**-**	**-**	**-**	**127**	**2,162**	**2**	**2**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans and Financial assets available for sale. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

8.2 Of which: Other companies

Amounts pertaining to other companies for 13 million euro were recorded, referring to the hedging of cash flows on financial liabilities.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**70**	*70*	-	-	**66**
1.1. of specific portfolios	70	*70*	-	-	66
a) loans	*70*	*70*	-	-	*66*
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-1**	*-1*	-	-	**-**
2.1. of specific portfolios	-1	*-1*	-	-	-
a) loans	*-1*	*-1*	-	-	-
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**69**	*69*	-	-	**66**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2009	31.12.2008
1. Loans	13,939	12,621
2. Assets available for sale	-	-
3. Portfolio	12,245	6,950
TOTAL	**26,184**	**19,571**

The figure refers to the nominal value of coupons on floating rate mortgages and securities hedged through fair value macrohedging for the period from the date in which the coupon is set to the date of payment.

SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

10.1 Investments in companies subject to joint control (carried at equity) and in companies subject to significant influence: information on equity stakes

		Registered office	Type of relationship (a)	Investment		Votes available %
				Direct ownership	% held	
A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Allfunds Bank S.A. Capital Euro 27,040,620 in shares of Euro 30	Madrid	7	Intesa Sanpaolo	50.00	50.00
2	Augusto S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Capital Euro 6,000,000	Desio	7	Equiter	50.00	50.00
6	Green Initiative Carbon Asset s (GICA) S.a. Capital Chf 7,000,000 in shares of Chf 100	Lugano	7	Equiter	25.00	25.00
7	Leonardo Technology S.p.A. Capital Euro 160,000	Milano	7	Intesa Sanpaolo	25.00	25.00
8	Luxiprivilege Conseil S.a. Capital Euro 75,000 in shares of Euro 25	Luxembourg	7	Societé Europeenne de Banque	50.00	50.00
9	Manucor S.p.A. Capital Euro 10,000,000	Milano	7	Intesa Sanpaolo	72.75	45.50
10	Monte Mario 2000 S.r.l. Capital Euro 51,480	Roma	7	Intesa Real Estate	47.50	47.50
11	Noverca Italia S.r.l. Capital Euro 120,000	Roma	7	Intesa Sanpaolo	34.00	34.00
12	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
13	Shangai Sino-Italy Business Advisory Company Ltd Capital USD 1,200,000 in shares of USD 1	Shanghai	7	Intesa Sanpaolo	40.00	40.00
14	TLX S.p.A. Capital Euro 5,000,000	Milano	7	Banca Imi	50.00	50.00
15	Vub Generali Dochodkova Spravcovska Spolocnost A.s. Capital Euro 10,090,976 in shares of Euro 33,194	Bratislava	7	Vseobecna Uverova Banka	50.00	50.00
B. INVESTMENTS IN ASSOCIATES						
1	Aeroporti Holding S.r.l. Capital Euro 50,000,000	Torino	4	Equiter	35.31	35.31
2	AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. Capital Euro 350,000	Milano	4	Intesa Sanpaolo	42.86	42.86
3	Alitalia - Compagnia Aerea Italiana S.p.A. Capital Euro 668,355,344	Fiumicino	4	Intesa Sanpaolo	8.86	8.86
4	Ambienta Società di Gestione del Risparmio S.p.A. Capital Euro 1,500,000 in shares of Euro 100	Milano	4	Equiter	20.00	20.00
5	Autostrada Pedemontana Lombarda S.p.A. Capital Euro 67,000,000 in shares of Euro 1,000	Milano	4	Equiter Banca Intesa Infrastrutture e Sviluppo	20.00 6.00	20.00 6.00
6	Autostrade Lombarde S.p.A. Capital Euro 128,669,687	Brescia	4	Intesa Sanpaolo	39.71	39.71
7	B.E.E. Team S.p.A. Capital Euro 20,537,247.25	Roma	4	Imi Investimenti	22.06	22.06
8	Banca Impresa Lazio S.p.A. Capital Euro 10,000,000 in shares of Euro 10,000	Roma	4	Intesa Sanpaolo	12.00	12.00
9	Bank of Qingdao co. LTD Capital CNY 1,984,548,623	Quindao	4	Intesa Sanpaolo	20.00	20.00
10	Cargoitalia S.p.A. Capital Euro 20,000,000	Milano	4	Intesa Sanpaolo	33.33	33.33
11	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,087.50 in shares of Euro 51.65	Fermo	4	Intesa Sanpaolo	33.33	33.33
12	CE.SPE.VI. S.r.l. Capital Euro 1,116,267	Pistoia	4	Cassa di Risparmio di Pistoia e Pescia	20.00	20.00
13	Collegamento Ferroviario Genova-Milano S.p.A. Capital Euro 120,000	Genova	4	Banca Intesa Infrastrutture e Sviluppo	20.00	20.00
14	Cr Firenze Mutui S.r.l. Capital Euro 10,000	Conegliano Veneto	8	Cassa di Risparmio di Firenze	10.00	10.00

		Registered office	Type of relationship (a)	Investment Direct ownership	Investment % held	Votes available %
15	Euromilano S.p.A. Capital Euro 6,500,000 in shares of Euro 100	Milano	4	Intesa Sanpaolo	38.00	38.00
16	F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A. Capital Euro 2,917,215 in shares of Euro 1.62	Milano	4	Intesa Sanpaolo	24.75	24.75
17	Gcl Holdings L.P. S.a.r.l. Capital Euro 42,107.05	Luxembourg	4	Intesa Sanpaolo	22.15	22.15
18	GE.FI.L. - Gestione Fiscalità Locale S.p.A. Capital Euro 10,000,000	La Spezia	4	Cassa di Risparmio della Spezia	25.83	25.83
19	Grande Jolly S.r.l. Capital Euro 150,354,508.02	Milano	4	Intesa Sanpaolo	2.64	2.64
20	I. Tre Iniziative Immobiliari Industriali S.p.A. Capital Euro 510,000 in shares of Euro 0.51	Rovigo	4	Cassa di Risparmio del Veneto	20.00	20.00
21	Infragruppo S.p.A. Capital Euro 156,939,500 in shares of Euro 1	Bergamo	4	IMI Investimenti	21.71	21.71
22	Intesa Soditic Trade Finance Ltd. Capital USD 5,000,000	London	4	Intesa Sanpaolo Holding International	50.00	50.00
23	Intesa Vita S.p.A. Capital Euro 394,226,300 in shares of Euro 5	Milano	4	Intesa Sanpaolo	50.00	50.00
24	Ism Investimenti S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Mantova	4	Imi Investimenti	28.57	28.57
25	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	4	Intesa Sanpaolo	11.25	11.25
26	Mandarin Capital Management S.A. Capital Euro 271,000	Luxembourg	4	Private Equity International	20.00	20.00
27	Mater-Bi S.p.A. Capital Euro 14,560,000 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	34.48	34.48
28	Mega International S.p.A. Capital Euro 918,000 in shares of Euro 0.51	Faenza	4	Neos Finance	48.00	48.00
29	MF Honyvem S.p.A. Capital Euro 260,000	Milano	4	Intesa Sanpaolo	30.00	20.00
30	Misr Alexandria for Financial Investments Mutual Fund Co. Capital EGP 30,000,000	Cairo	4	Bank of Alexandria	25.00	25.00
31	Misr International Towers Co. Capital EGP 40,000,000	Cairo	4	Bank of Alexandria	27.86	27.86
32	Newcocot S.p.A. Capital Euro 3,249,832 in shares of Euro 1	Cologno Monzese	4	Intesa Sanpaolo	24.61	24.61
33	Nh Hoteles S.A. Capital Euro 493,234,860	Madrid	4	Private Equity International Intesa Sanpaolo	3.30 2.35	3.30 2.35
34	Nh Italia S.r.l. Capital Euro 226,698,564.59	Milano	4	Intesa Sanpaolo	42.75	42.75
35	Noverca S.r.l. Capital Euro 2,949,288.52	Roma	4	Intesa Sanpaolo	10.00	10.00
36	Nuovo Trasporto Viaggiatori S.p.A. Capital Euro 148,953,918 in shares of Euro 1	Roma	4	Imi Investimenti	20.00	20.00
37	Obiettivo Nord - Est Sicav S.p.a. Capital Euro 14,307,469 in shares of Euro 4.89	Venezia Marghera	4	Intesa Sanpaolo	13.68	13.68
38	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
39	Pietra S.r.l. Capital Euro 40,000	Milano	4	Intesa Sanpaolo	22.22	22.22
40	Pirelli & C. S.p.A. Capital Euro 1,556,692,865.28 in shares of Euro 0.29	Milano	4	Intesa Sanpaolo	1.58	1.62
41	Pirelli & C. Real Estate SGR S.p.A. Capital Euro 24,558,763	Milano	4	Intesa Sanpaolo	10.00	10.00
42	R.C.N. Finanziaria S.p.A. Capital Euro 32,135,988 in shares of Euro 0.50	Mantova	4	Intesa Sanpaolo	23.96	23.96
43	Rizzoli Corriere della Sera MediaGroup S.p.A. Capital Euro 762,019,050 in shares of Euro 1	Milano	4	Intesa Sanpaolo	4.83	5.02
44	S.A.F.I. S.r.l. Capital Euro 100,000	Spinea	4	Centro Leasing Rete	20.00	20.00
45	Sagat S.p.A. Capital Euro 12,911,481 in shares of Euro 5.16	Caselle Torinese	4	Equiter	12.40	12.40

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
46	SIA - SSB S.p.A. Capital Euro 22,091,286.62 in shares of Euro 0.13	Milano	4	Intesa Sanpaolo	30.64	30.64
				Banca Imi	1.39	1.39
				Cassa di Risparmio di Firenze	0.49	0.49
				Banca di Trento e Bolzano	0.13	0.13
				C.R. Forlì e della Romagna	0.04	0.04
				C.R. della Provincia di Viterbo	0.03	0.03
				C.R. di Rieti	0.03	0.03
				C.R. di Città di Castello	0.02	0.02
				C.R. di Ascoli Piceno	0.02	0.02
				C.R. di Terni e Narni	0.02	0.02
				C.R. di Foligno	0.02	0.02
				Banca Fideuram	0.02	0.02
				C.R. di Spoleto	0.01	0.01
47	Slovak Banking Credit Bureau s.r.o. Capital Euro 9,958.17	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
48	Solar Express S.r.l. Capital Euro 116,000	Firenze	4	Intesa Sanpaolo	40.00	40.00
49	Sviluppo Industriale S.p.A. Capital Euro 1,412,162.65 in shares of Euro 51.65	Pistoia	4	Cassa di Risparmio di Pistoia e Pescia	29.19	29.19
50	Tangenziali Esterne Milano S.p.A. Capital Euro 27,929,989.50 in shares of Euro 0.75	Milano	4	Intesa Sanpaolo	5.00	5.00
51	Telco S.p.A. Capital Euro 3,287,195,390.05 in shares of Euro 1.85	Milano	4	Intesa Sanpaolo	11.62	11.62
52	Termomeccanica S.p.A. Capital Euro 3,666,635.96 in shares of Euro 0.52	La Spezia	4	Intesa Sanpaolo	27.50	27.50
				Cassa di Risparmio della Spezia	5.37	5.37
53	Unimatica S.p.A. Capital Euro 500,000 in shares of Euro 500	Bologna	4	Infogroup	25.00	25.00
54	Uno A Erre Italia S.p.A. Capital Euro 8,153,756 in shares of Euro 0.01	Arezzo	4	Intesa Sanpaolo	18.90	18.90
				Mediocredito Italiano	1.37	1.37
55	UPA Servizi S.p.A. Capital Euro 1,504,278 in shares of Euro 1	Padova	4	Cassa di Risparmio del Veneto	44.32	44.32
56	Varese Investimenti S.p.A. Capital Euro 4,350,000 in shares of Euro 10	Varese	4	Intesa Sanpaolo	40.00	40.00
57	Centradia Group Ltd (in liq.) Capital Euro 38,750,026.09 in shares of Euro 1	London	4	Intesa Sanpaolo	29.03	30.45
58	Consorzio Bancario SIR S.p.A. (in liq.) Capital Euro 1,515,151.42 in shares of Euro 0.01	Roma	4	Intesa Sanpaolo	32.86	32.86
				Banca di Credito Sardo	5.63	5.63
59	Europrogetti e Finanza S.p.A. (in liq.) Capital Euro 5,636,400 in shares Euro 0.30	Roma	4	Intesa Sanpaolo	15.97	15.97
60	Idra Partecipazioni S.p.A. (in liq.) Capital Euro 117,496 in shares of Euro 0.01	Milano	4	Intesa Sanpaolo	23.82	23.82
				Ldv Holding	14.79	14.79
61	Ifas Gruppo S.p.A. (in liq.) Capital Euro 1,200,000 in shares of Euro 0.30	Torino	4	Intesa Sanpaolo	45.00	45.00
62	Impianti S.r.l. (in liq.) Capital Euro 92,952	Milano	4	Intesa Sanpaolo	26.27	26.27
				Banca di Trento e Bolzano	1.69	1.69
63	P.B. S.r.l. (in liq.) Capital Euro 119,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	42.24	42.24
				Cassa di Risparmio di Firenze	4.96	4.96
64	Progema S.r.l. (in liq.) Capital Euro 46,440	Torino	4	SEP - Servizi e Progetti	10.00	10.00
				Neos Finance	10.00	10.00
65	Società Gestione per il Realizzo S.p.A.(in liq.) Capital Euro 2,946,459 in shares of Euro 0.10	Roma	4	Intesa Sanpaolo	38.33	38.33
				Banca Fideuram	0.63	0.63
				Cassa di Risparmio di Firenze	0.42	0.42
				Cassa di Risparmio di Civitavecchia	0.16	0.16
66	United Valves Co. (Butterfly) in liq. Capital EGP 5,000,000 in shares of EGP 500	Cairo	4	Bank of Alexandria	25.00	25.00

(a) Type of relationship:

1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - companies subject to significant influence;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control;
8 - majority of risks and benefits (SIC 12).

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Investments in companies subject to joint control and companies subject to significant influence: financial highlights

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
A. COMPANIES CARRIED AT EQUITY						
A.1. Subject to joint control					**119**	
Allfunds Bank S.A.	206	84	1	95	72	-
Augusto S.r.l.	-	-	-	-	-	-
Colombo S.r.l.	-	-	-	-	-	-
Diocleziano S.r.l.	-	-	-	-	-	-
Enerpoint Energy S.r.l.	7	-	-	-	3	-
Green Initiative Carbon Asset s (GICA) S.a.	1	-	-1	1	-	-
Leonardo Technology S.p.A.	85	15	-2	17	4	-
Luxiprivilege Conseil S.a.	-	-	-	-	-	-
Manucor S.p.A.	128	97	-2	15	11	-
Monte Mario 2000 S.r.l.	1	-	-	-	-	-
Noverca Italia S.r.l.	49	-	-3	34	12	-
PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	17	7	3	16	8	-
Shangai Sino-Italy Business Advisory Company Ltd	-	-	-	-	-	-
TLX S.p.A.	8	-	-	5	3	-
Vub Generali Dochodkova Spravcovska Spolocnost A.s.	12	3	1	11	6	-
A.2. Investment in associates					**2,288**	
Aeroporti Holding S.r.l.	55	1	-	53	20	-
AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.	-	-	-	-	-	-
Alitalia - Compagnia Aerea Italiana S.p.A.	3,232	1,320	-324	727	93	-
Ambienta Società di Gestione del Risparmio S.p.A.	3	5	-	1	-	-
Autostrada Pedemontana Lombarda S.p.A.	75	-	-	61	23	-
Autostrade Lombarde S.p.A.	130	2	1	99	59	-
B.E.E. Team S.p.A.	109	57	-3	29	9	8
Banca Impresa Lazio S.p.A.	30	1	-	7	1	-
Bank Of Qingdao Co. LTD	4,435	58	45	417	123	-
Cargoitalia S.p.A.	15	-	-	13	8	-
Cassa di Risparmio di Fermo S.p.A.	1,423	77	11	155	52	-
CE.SPE.VI. S.r.l.	6	-	-	5	1	-
Collegamento Ferroviario Genova-Milano S.p.A.	-	-	-	-	-	-
Cr Firenze Mutui S.r.l.	-	-	-	-	-	-
Euromilano S.p.A.	141	16	-5	34	15	-
F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	176	180	13	41	18	-
Gcl Holdings L.P. S.a.r.l. (a)	698	108	-23	202	45	-
GE.FI.L. - Gestione Fiscalità Locale S.p.A.	25	4	-	10	3	-
Grande Jolly S.r.l.	955	152	-16	438	14	-
I. Tre Iniziative Immobiliari Industriali S.p.A.	12	14	-	1	-	-
Infragruppo S.p.A.	671	276	-57	13	7	-
Intesa Soditic Trade Finance Ltd.	6	3	1	5	2	-
Intesa Vita S.p.A.	27,192	4,858	86	1,834	725	-
Ism Investimenti S.p.A.	85	-	-1	40	12	-
Italfondiario S.p.A.	69	31	1	33	2	-
Manadarin Capital Management S.A.	5	8	2	2	-	-
Mater-Bi S.p.A.	34	-	-	32	11	-
Mega International S.p.A.	-	-	2	-	-	-
MF Honyvem S.p.A.	-	-	-	22	7	-
Misr Alexandria for Financial Investments Mutual Fund Co.	14	-	-	13	3	-
Misr International Towers Co.	19	-	-	15	4	-
Newcocot S.p.A.	60	58	-6	10	1	-
Nh Hoteles S.A.	3,294	1,534	8	1,057	86	52
Nh Italia S.r.l.	1,100	201	-39	374	167	-
Noverca S.r.l.	32	1	-1	31	4	-
Nuovo Trasporto Viaggiatori S.p.A. (a)	277	2	-7	173	70	-
Obiettivo Nord - Est Sicav S.p.a.	10	1	-	9	1	-

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
Penghua Fund Management Co. Ltd.	109	69	30	76	82	-
Pietra S.r.l.	27	-	-	24	5	-
Pirelli & C. S.p.A.	6,636	3,755	18	2,245	34	35
Pirelli & C. Real Estate SGR S.p.A.	67	18	6	41	20	-
R.C.N. Finanziaria S.p.A.	337	93	-10	6	-	-
Rizzoli Corriere della Sera MediaGroup S.p.A.	3,535	1,626	-73	1,049	62	47
S.A.F.I. S.r.l.	2	3	-	1	-	-
Sagat S.p.A.	184	70	6	68	18	-
SIA - SSB S.p.A.	270	400	12	123	67	-
Slovak Banking Credit Bureau s.r.o.	-	1	-	-	-	-
Solar Express S.r.l. (a)	4	-	-	4	2	-
Sviluppo Industriale S.p.A.	3	-	-	1	-	-
Tangenziali Esterne Milano S.p.A.	39	8	7	35	2	-
Telco S.p.A.	7,111	61	-39	3,105	361	-
Termomeccanica S.p.A.	364	197	-	89	23	-
Unimatica S.p.A.	2	1	-	1	-	-
Uno A Erre Italia S.p.A.	48	112	-12	11	-	-
UPA Servizi S.p.A.	14	15	-	7	4	-
Varese Investimenti S.p.A.	1	-	-	1	2	-
Centradia Group Limited (in liq.)	-	-	-	-	-	-
Consorzio Bancario SIR S.p.A. (in liq.)	-	-	-	-500	-	-
Europrogetti e Finanza S.p.A. (in liq.)	10	3	-1	5	-	-
Evoluzione 94 S.p.A. (in liq)	-	-	-	-	-	-
Idra Partecipazioni S.p.A. (in liq.)	-	-	-	-	-	-
Ifas Gruppo S.p.A. (in liq.)	-	-	-	-21	-	-
Impianti S.r.l. (in liq.)	-	-	-	-2	-	-
P.B. S.r.l. (in liq.)	7	-	-	7	3	-
Progema S.r.l. (in liq.)	-	-	-	-	-	-
Società Gestione per il Realizzo S.p.A. (in liq.)	60	-	-	42	17	-
United Valves Co. (Butterfly) in liq.	-	-	-	-	-	-
Total companies carried at equity					**2,407**	**-**
Banca d'Italia					627	
Other minor (b)					25	
Total					**3,059**	

a) Newly-incorporated/acquired company

b) Mostly includes marginal companies: i) in liquidation and/or terminating activities and ii) start-ups with no balance sheet. In particular:
- ISP cb Ipotecario S.r.l.
- ISP cb Pubblico S.r.l.
- ISP sec 4 S.r.l.

10.3 Investments in associates and companies subject to joint control: annual changes

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
A. Initial amount	**3,230**	*3,230*	-	-	**3,522**
B. Increases	**1,093**	*1,093*	-	-	**1,152**
B.1 purchases	373	*373*	-	-	754
of which business combinations	-	-			*450*
B.2 write-backs	-	-	-	-	-
B.3 revaluations	277	*277*	-	-	145
B.4 other changes	443	*443*	-	-	253
C. Decreases	**-1,264**	*-1,264*	-	-	**-1,444**
C.1 sales	-658	*-658*	-	-	-319
C.2 impairment losses (a)	-81	*-81*	-	-	-357
C.3 other changes	-525	*-525*	-	-	-768
D. Final amount	**3,059**	*3,059*	-	-	**3,230**
E. Total revaluations	**1,371**	*1,371*	-	-	**1,094**
F. Total impairment losses	**493**	*493*	-	-	**412**

(a) includes - 75 million due to losses on investments in associates and companies subject to joint control carried at equity.

10.4 Commitments referred to investments in companies subject to joint control

As at 31 December 2009 there were no particularly significant commitments referred to companies subject to joint control.

10.5 Commitments referred to investments in companies subject to significant influence

As at 31 December 2009 there were no particularly significant commitments referred to companies subject to significant influence.

Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, market capitalisation lower than the company's net book value, in the case of securities listed on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount is calculated, represented by the higher of the fair value less costs to sell and the value in use, and if the latter proves lower than the carrying value, impairment is recognised.
No significant impairment losses were recognised during the year with respect to the Intesa Sanpaolo Group's associates and companies subject to joint control. In particular, given the fact that impairment indicators relative to prices lower than the unit carrying values were recorded with respect to certain investments, "basic" assessments were carried out based on an estimation of expected discounted cash flows. The results of these assessments did not lead to the recognition of any impairment losses.
In terms of the differences between the market values and the "basic" values provided by the values in use, reference is made to the considerations on impairment testing of goodwill in the relative chapter of these Notes to the consolidated financial statements. Furthermore, the estimate of cash flows and discounting rates in the assessment of equity investments was also carried out on a prudential basis.

SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES –CAPTION 110

11.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

	31.12.2009	31.12.2008
A. Non-life business	**24**	**27**
A.1 premiums reserves	17	16
A.2 claims reserves	7	11
A.3 other reserves	-	-
B. Life business	**14**	**13**
B.1 mathematical reserves	14	12
B.2 reserves for amounts to be disbursed	-	1
B.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
C.2 reserves from pension fund management	-	-
D. Total insurance reserves carried by reinsurers	38	40

11.2 Change in caption 110 Technical insurance reserves reassured with third parties

Technical insurance reserves reassured with third parties recorded no significant changes during the year.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment: breakdown of assets measured at cost

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
A. Property and equipment used in operations					
1.1 owned	5,096	*5,062*	*32*	*2*	5,108
a) land	*1,499*	*1,477*	*22*	*-*	*1,481*
b) buildings	*2,754*	*2,745*	*9*	*-*	*2,736*
c) furniture	*286*	*285*	*1*	*-*	*289*
d) electronic equipment	*458*	*458*	*-*	*-*	*488*
e) other	*99*	*97*	*-*	*2*	*114*
1.2 acquired under finance lease	17	*17*	*-*	*-*	29
a) land	*7*	*7*	*-*	*-*	*18*
b) buildings	*10*	*10*	*-*	*-*	*11*
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	-	-	-	-	-
Total A	**5,113**	*5,079*	*32*	*2*	**5,137**
B. Investment property					
2.1 owned	178	*173*	*-*	*5*	118
a) land	*32*	*32*	*-*	*-*	*39*
b) buildings	*146*	*141*	*-*	*5*	*79*
2.2 acquired under finance lease	-	-	-	-	-
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total B	**178**	*173*	*-*	*5*	**118**
TOTAL (A + B)	**5,291**	*5,252*	*32*	*7*	**5,255**

12.2 Property and equipment: breakdown of assets measured at fair value or revalued

Not applicable to the Group.

12.3 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,499**	**3,793**	**837**	**2,392**	**370**	**8,891**
A.1 Total net adjustments	-	-1,046	-548	-1,904	-256	-3,754
A.2 Net initial carrying amount	**1,499**	**2,747**	**289**	**488**	**114**	**5,137**
B. Increases	**103**	**234**	**55**	**202**	**125**	**719**
B.1 Purchases	82	106	45	186	99	518
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	82	3	4	-	89
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	7	3	-	-	-	10
B.7 Other changes	14	43	7	12	26	102
C. Decreases	**-96**	**-217**	**-58**	**-232**	**-140**	**-743**
C.1 Sales	-67	-52	-4	-8	-26	-157
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-111	-51	-218	-27	-407
C.3 Impairment losses recognised in:	-	-	-	-1	-	-1
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	*-1*	-	*-1*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-3	-3	-	-	-1	-7
a) investment property	*-2*	-	-	-	-	*-2*
b) non-current assets held for sale and discontinued operations	*-1*	*-3*	-	-	*-1*	*-5*
C.7 Other changes	-26	-51	-3	-5	-86	-171
D. Net final carrying amount	**1,506**	**2,764**	**286**	**458**	**99**	**5,113**
D.1 Total net adjustments	-	1,157	599	2,123	283	4,162
D.2 Gross final carrying amount	**1,506**	**3,921**	**885**	**2,581**	**382**	**9,275**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Of which: Banking group

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,483**	**3,736**	**836**	**2,391**	**364**	**8,810**
A.1 Total net adjustments	-	-1,042	-548	-1,904	-253	-3,747
A.2 Net initial carrying amount	**1,483**	**2,694**	**288**	**487**	**111**	**5,063**
B. Increases	**96**	**231**	**54**	**202**	**116**	**699**
B.1 Purchases	82	106	45	186	99	518
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	82	3	4	-	89
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	14	43	6	12	17	92
C. Decreases	**-95**	**-170**	**-57**	**-231**	**-130**	**-683**
C.1 Sales	-66	-22	-4	-7	-17	-116
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-111	-50	-218	-27	-406
C.3 Impairment losses recognised in	-	-	-	-1	-	-1
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	*-1*	-	*-1*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-3	-3	-	-	-1	-7
a) investment property	*-2*	-	-	-	-	*-2*
b) non-current assets held for sale and discontinued operations	*-1*	*-3*	-	-	*-1*	*-5*
C.7 Other changes	-26	-34	-3	-5	-85	-153
D. Net final carrying amount	**1,484**	**2,755**	**285**	**458**	**97**	**5,079**
D.1 Total net adjustments	-	1,153	598	2,123	280	4,154
D.2 Gross final carrying amount	**1,484**	**3,908**	**883**	**2,581**	**377**	**9,233**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Of which: Insurance companies

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**15**	**8**	**1**	**-**	**3**	**27**
A.1 Total net adjustments	-	-2	-	-	-3	-5
A.2 Net initial carrying amount	**15**	**6**	**1**	**-**	**-**	**22**
B. Increases	**7**	**3**	**1**	**-**	**-**	**11**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	7	3	-	-	-	10
B.7 Other changes	-	-	1	-	-	1
C. Decreases	**-**	**-**	**-1**	**-**	**-**	**-1**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-	-1	-	-	-1
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**22**	**9**	**1**	**-**	**-**	**32**
D.1 Total net adjustments	-	2	1	-	3	6
D.2 Gross final carrying amount	**22**	**11**	**2**	**-**	**3**	**38**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Of which: Other companies

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1**	**49**	**-**	**1**	**3**	**54**
A.1 Total net adjustments	-	-2	-	-	-	-2
A.2 Net initial carrying amount	**1**	**47**	**-**	**1**	**3**	**52**
B. Increases	**-**	**-**	**-**	**-**	**9**	**9**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	9	9
C. Decreases	**-1**	**-47**	**-**	**-1**	**-10**	**-59**
C.1 Sales	-1	-30	-	-1	-9	-41
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-	-	-	-	-
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-17	-	-	-1	-18
D. Net final carrying amount	**-**	**-**	**-**	**-**	**2**	**2**
D.1 Total net adjustments	-	2	-	-	-	2
D.2 Gross final carrying amount	**-**	**2**	**-**	**-**	**2**	**4**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.4 Investment property: annual changes

(millions of euro)

	Total		Of which: Banking group		Insurance companies		Other companies	
	Land	Buildings	*Land*	*Buildings*	*Land*	*Buildings*	*Land*	*Buildings*
A. Gross initial carrying amount	**39**	**79**	*32*	*76*	*7*	*3*	-	-
B. Increases	**8**	**88**	*8*	*81*	-	-	-	*7*
B.1 Purchases	-	-	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	1	-	*1*	-	-	-	-
B.3 Positive fair value differences	-	-	-	-	-	-	-	-
B.4 Write-backs	-	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-	-
B.6 Transfer from property used in operations	2	-	*2*	-	-	-	-	-
B.7 Other changes	6	87	*6*	*80*	-	-	-	*7*
C. Decreases	**-15**	**-21**	*-8*	*-16*	*-7*	*-3*	-	*-2*
C.1 Sales	-5	-11	*-5*	*-11*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-2	-	*-2*	-	-	-	-
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-3	-	*-1*	-	-	-	*-2*
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-10	-3	*-3*	-	*-7*	*-3*	-	-
a) property used in operations	-7	-3	-	-	*-7*	*-3*	-	-
b) non-current assets held for sale and discontinued operations	-3	-	*-3*	-	-	-	-	-
C.7 Other changes	-	**-2**	-	*-2*	-	-	-	-
D. Final carrying amount	**32**	**146**	*32*	*141*	-	-	-	*5*
E. Fair value measurement	**34**	**149**	*34*	*144*	-	-	-	*5*

12.5 Commitments to purchase property and equipment

No significant commitments to purchase property and equipment were recorded as at 31 December 2009.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2009		Of which: Banking group		Insurance companies		Other companies		31.12.2008	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**18,838**	*X*	*17,795*	*X*	*1,043*	*X*	-	**X**	**19,694**
A.1.1 Group	x	18,838	*x*	*17,795*	*x*	*1,043*	*x*	-	x	19,694
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**4,567**	**2,384**	*4,156*	*2,384*	*411*	-	-	-	**5,073**	**2,384**
A.2.1 Assets measured at cost	4,567	2,384	*4,156*	*2,384*	*411*	-	-	-	5,073	2,384
a) Internally generated intangible assets	*286*	-	*286*	-	-	-	-	-	*280*	-
b) Other assets	*4,281*	*2,384*	*3,870*	*2,384*	*411*	-	-	-	*4,793*	*2,384*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**4,567**	**21,222**	*4,156*	*20,179*	*411*	*1,043*	-	-	**5,073**	**22,078**

With regard to the recognition methods for Goodwill and Other intangible assets, reference should be made to Part A – Accounting policies. No business combinations were carried out in 2009.

Among Other intangible assets with a finite useful life, 4,070 million euro refer to intangibles recognised in relation to business combinations. Of these, 1,384 million euro refer to intangibles linked to asset management, 485 million euro to the value of the insurance policy portfolio and 2,201 million euro to core deposits. The remainder refers mainly to software.

Other intangible assets with an indefinite useful life refer to the brand name, recognised on acquisition of the former Sanpaolo IMI Group.

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

Goodwill	**31.12.2009**	**31.12.2008**
Banca dei Territori	11,468	11,901
Corporate & Investment Banking	3,116	3,455
Public Finance	10	10
Eurizon Capital	1,411	1,411
Banca Fideuram	969	979
International Subsidiary Banks	1,864	1,938
Total	**18,838**	**19,694**

13.2 Intangible assets: annual changes

No increases in intangible assets resulting from business combinations were recorded during the year.

(millions of euro)

	Goodwill	**Other intangible assets: internally generated**		**Other intangible assets: other**		**Total**
		Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**	
A. Gross initial carrying amount	**20,955**	**1,197**	**-**	**7,359**	**2,384**	**31,895**
A.1 Total net adjustments	-1,261	-917	-	-2,566	-	-4,744
A.2 Net initial carrying amount	**19,694**	**280**	**-**	**4,793**	**2,384**	**27,151**
B. Increases	**11**	**212**	**-**	**106**	**-**	**329**
B.1 Purchases	-	-	-	104	-	104
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	211	-	-	-	211
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	11	1	-	2	-	14
C. Decreases	**-867**	**-206**	**-**	**-618**	**-**	**-1,691**
C.1 Sales	-49	-3	-	-6	-	-58
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-186	-	-585	-	-771
- Amortisation	X	-172	-	-581	-	-753
- Write-downs recognised in	-	-14	-	-4	-	-18
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-14*	-	*-4*	-	*-18*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-531	-	-	-1	-	-532
C.5 Negative foreign exchange differences	-79	-	-	-2	-	-81
C.6 Other changes	-208	-17	-	-24	-	-249
D. Net final carrying amount	**18,838**	**286**	**-**	**4,281**	**2,384**	**25,789**
D.1 Total net adjustments	1,261	1,103	-	3,151	-	5,515
E. Gross final carrying amount	**20,099**	**1,389**	**-**	**7,432**	**2,384**	**31,304**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which: Banking group

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**19,917**	**1,190**	**-**	**6,661**	**2,384**	**30,152**
A.1 Total net adjustments	-1,261	-917	-	-2,368	-	-4,546
A.2 Net initial carrying amount	**18,656**	**273**	**-**	**4,293**	**2,384**	**25,606**
B. Increases	**6**	**212**	**-**	**105**	**-**	**323**
B.1 Purchases	-	-	-	103	-	103
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	211	-	-	-	211
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	6	1	-	2	-	9
C. Decreases	**-867**	**-199**	**-**	**-528**	**-**	**-1,594**
C.1 Sales	-49	-3	-	-6	-	-58
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-179	-	-496	-	-675
- Amortisation	X	-165	-	-492	-	-657
- Write-downs recognised in	-	-14	-	-4	-	-18
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-14*	-	*-4*	-	*-18*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-531	-	-	-1	-	-532
C.5 Negative foreign exchange differences	-79	-	-	-2	-	-81
C.6 Other changes	-208	-17	-	-23	-	-248
D. Net final carrying amount	**17,795**	**286**	**-**	**3,870**	**2,384**	**24,335**
D.1 Total net adjustments	1,261	1,096	-	2,864	-	5,221
E. Gross final carrying amount	**19,056**	**1,382**	**-**	**6,734**	**2,384**	**29,556**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which: Insurance companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**1,038**	**7**	**-**	**698**	**-**	**1,743**
A.1 Total net adjustments	-	-	-	-198	-	-198
A.2 Net initial carrying amount	**1,038**	**7**	**-**	**500**	**-**	**1,545**
B. Increases	**5**	**-**	**-**	**1**	**-**	**6**
B.1 Purchases	-	-	-	1	-	1
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	5	-	-	-	-	5
C. Decreases	**-**	**-7**	**-**	**-90**	**-**	**-97**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-7	-	-89	-	-96
- Amortisation	X	-7	-	-89	-	-96
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-1	-	-1
D. Net final carrying amount	**1,043**	**-**	**-**	**411**	**-**	**1,454**
D.1 Total net adjustments	-	7	-	287	-	294
E. Gross final carrying amount	**1,043**	**7**	**-**	**698**	**-**	**1,748**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2009.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions may often lead to the recognition of new intangible assets and goodwill.

In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions (of the asset management portfolio of the former Nextra, of CR Firenze and of Pravex) led to the recognition of significant amounts for intangible assets and as goodwill.

The following impairment losses were recorded in the 2008 financial statements:

- intangible assets: a total of 751 million euro relative to asset management;
- goodwill: a total of 1,065 million euro (95 million euro for Eurizon Capital, 580 million euro for Banca Fideuram and 390 million euro for Pravex).

The table below summarises the values of these intangible assets and goodwill, subdivided by Cash Generating Unit (CGU), namely the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

(millions of euro)

CGU	2008 financial statements	Amortisation	Disposals: CR Orvieto (a)	Disposals: Branches as required by antitrust	Other changes 2009 (b)	2009 financial statements
BANCA DEI TERRITORI	**16,603**	**-288**	**-32**	**-18**	**-384**	**15,881**
- Intangible asset management - distribution	333	-56	-	-	-	277
- Intangible assets insurance - product. and distribut.	584	-99	-	-	-	485
- Intangible core deposits	2,278	-133	-	-1	-	2,144
- Intangible brand name	1,507	-	-	-	-	1,507
- Goodwill	11,901	-	-32	-17	-384	11,468
CORPORATE AND INVESTMENT BANKING	**3,957**	**-**	**-**	**-**	**-339**	**3,618**
- Intangible brand name	502	-	-	-	-	502
- Goodwill	3,455	-	-	-	-339	3,116
PUBLIC FINANCE	**10**	**-**	**-**	**-**	**-**	**10**
- Goodwill	10	-	-	-	-	10
EURIZON CAPITAL	**1,715**	**-51**	**-**	**-**	**-**	**1,664**
- Intangible asset management - production	304	-51	-	-	-	253
- Goodwill	1,411		-		-	1,411
BANCA FIDEURAM	**2,391**	**-126**	**-**	**-**	**-10**	**2,255**
- Intangible asset management - product. and distribut.	976	-122	-	-	-	854
- Intangible core deposits	61	-4	-	-	-	57
- Intangible brand name	375	-	-	-	-	375
- Goodwill	979	-	-	-	-10	969
INTERNATIONAL SUBSIDIARY BANKS	**1,938**	**-**	**-**	**-**	**-74**	**1,864**
- Goodwill	1,938	-	-	-	-74	1,864
TOTAL CGUs	**26,614**	**-465**	**-32**	**-18**	**-807**	**25,292**
- Intangible asset management	1,613	-229	-	-	-	1,384
- Intangible assets insurance	584	-99	-	-	-	485
- Intangible core deposits	2,339	-137	-	-1	-	2,201
- Intangible brand name	2,384	-	-	-	-	2,384
- Goodwill	19,694	-	-32	-17	-807	18,838
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (c)	**-**	**-**	**-**	**-**	**531**	**531**
- Goodwill	-	-	-	-	531	531

(a) CR Orvieto intangible assets were reclassified under non-current assets held for sale and discontinued operations as at 31 December 2008.

(b) Other changes mainly include IFRS 5 reclassification of Securities Services business. In addition, this item includes changes attributable to the reduced value of the commitment to purchase subsidiaries' minorities, to the reallocation from the BdT CGU to the C&IB CGU and the exchange-rate effect.

(c) Goodwill pertaining to non-current assets held for sale and discontinued operations at 31 December 2009.

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio and of core deposits. These assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period which expresses the residual, contractual or estimated, life of accounts existing at the time of the business combination.
The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

As described in Part G of the Notes to the consolidated financial statements, no new acquisitions were carried out during the year.
For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under Net adjustment to/recoveries on intangible assets) for a total of 465 million euro (approximately 322 million euro net of the related tax effect).

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In particular, for intangible assets with a finite useful life, the impairment test must be carried out each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.

Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows for the asset initially recognised on application of IFRS 3 and those relative to the asset as at the impairment test date. This because it would prove difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As per the 2008 financial statements, the values in use were used in the impairment tests for the 2009 financial statements, given the instability of the financial markets and the available values for calculation of the recoverable amount.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the draft financial statements for 2009.

Impairment testing of intangibles

Asset management portfolio

The first few months of 2009 recorded a further decline in assets under management, in line with the extremely negative performance of 2008, while the second half of the year was stable overall, with a recovery in some segments particularly during the last few months. The trend during the year, therefore, showed cautious signs of recovery by the main indicators of the sector compared to the prior year, which had recorded an impairment loss of 751 million euro before taxes (521 million euro after taxes).
Despite the aforementioned slight signs of recovery recorded between the end of 2009 and the beginning of this year, the persistent volatility of the financial markets and the weak macroeconomic system have resulted in impairment testing even though the business trend in 2009 was better than 2008 and than forecasts and, therefore, without identifying any evident impairment indicators.
The portfolio measurement criteria envisage an estimate of the current value of profit margins generated from existing accounts as at the date of the assessment, over a timeframe that expresses their estimated residual life. This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits (7-10 years). This approach envisages that the value of the intangible, in terms of both the production activity component and the component attributable to product distribution, is calculated for each product line, discounting cash flows at a risk-free discounting rate plus a spread that reflects the capital cost. Profit margins for the production component are determined by deducting SGR management expense from expected revenues, and for the distribution component by deducting distributor bank management expense, as well as tax expense.

For the 2009 financial statements, amortisation for the year for the asset was recorded in the income statement and, given the abovementioned indicators, impairment testing was then performed on the component referring to the Eurizon Capital portfolio (whose operating assets also include the portfolio of CR Firenze Gestion Internationale, merged by incorporation into Eurizon Capital s.a. during 2009) and to the Banca Fideuram portfolio, through a new measurement of assets under the methods indicated, consistent with measurements taken on initial recognition of the assets. It should be mentioned that, though the measurement of the asset management portfolio was performed in reference to the production and distribution components, in the balance sheet asset management portfolio was recognised as a single intangible asset, and the total value was then subjected to impairment testing.

The main indicators used for measurement of the intangible asset are provided in the table below.

(millions of euro)

Assets Under Management	AUM volumes		Surrender rates	Discount rates
	Amount as at 31.12.2009	Change compared to 31.12.2008		
AUM production - Eurizon Capital	138,672	2.3%	24.3%	10.4%
AUM distribution - Eurizon Capital	72,031	-6.5%	27.8%	8.6%
AUM production and distribution - Banca Fideuram	46,372	15.8%	14.7%	9.8%

The result of the impairment test showed that the asset management intangible value is higher than the carrying value. Therefore, no recognition of impairment in the income statement is necessary for 2009.
As far as production is concerned, stability of the asset management intangible value is essentially due to the increase in assets under management. Other effects include a slight reduction in expenses per product unit and an essential stability of volume profits and of the effects deriving from the surrender options used in forecasting future cash flows.
The effect of the reduction in cost of capital, used as the rate to discount future cash flows, was also positive, although partially offset by the negative effect of the reduction in interest rates used to forecast income from assets in future years.
The value of distribution, on the other hand, which is essentially in line with the carrying value after amortisation for the

year, was negatively impacted by the slightly declining trend in assets (which in measuring the production component benefited from the positive effect of the increase in assets generated by the insurance business) and higher unit costs. Redemption rates are essentially unchanged and discounting rates slightly lower.

Insurance portfolio

The insurance portfolio also felt the impact of the financial crisis, though to a lesser extent than asset management, with volumes and profitability showing a significant recovery during 2009.
Valuation of the insurance portfolio uses models normally applied to determine the embedded value, by discounting flows representing the income margins over a period deemed to express the residual maturity of the insurance portfolio in force at the valuation date. The resulting value, considered to have a finite life, is amortised at variable amounts over a period expressing the residual life of the insurance contracts.
For the 2009 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, despite the absence of significant impairment indicators, impairment testing was then performed by means of a new measurement of the asset, in accordance with the methodologies described above and consistent with those applied on initial recognition of the asset. The valuation was performed on the Eurizon Vita, Eurizon Life, Sud Polo Vita and Centrovita portfolios.

The table below provides the value of technical reserves (including the components that in the IFRS financial statements are classified under financial liabilities of the insurance segment) subdivided according to the various product types that contributed to the valuation of the insurance portfolio.

(millions of euro)

Insurance portfolio	Model technical reserves (*)		Change	
	Value 31.12.2009	Value 31.12.2008	amount	%
Traditional	17,437	15,034	2,403	16.0%
Pension funds	391	303	88	29.0%
Unit-linked	17,461	15,863	1,598	10.1%
Index-linked	9,110	9,558	-448	-4.7%
TOTAL	**44,399**	**40,758**	**3,641**	**8.9%**

(*) The mathematical reserve, reserve for demographic bases, expense reserve and additional provision for "death event" are included.

The trend in volumes, profitability and the value of the underlying AFS financial assets of the insurance products were used to determine the value of this intangible asset. The effects that mainly impacted determination of the value in use were the following:

– the change in the financial scenario with benefits, in terms of portfolio value, measured by the reduction in discount rate and by more favourable financial returns for the company overall;
– the favourable performance of premium collection in 2009, with positive effects on the portfolio, also due to more limited risks, on average, of new products compared to those already contained in the portfolio;
– the decrease in latent capital losses in the portfolio of securities underlying the insurance products; this reduction had a positive effect on the financial situation but a negative effect on the accounting adjustments to be recorded, since the effects linked to write-downs of investments can result in time misalignment between the valuation of investments performed at year end and the allocation of services to policyholders. In the long term, this allocation is implemented via calculation of the segregated internal management yields which, in observance of rules established by the Supervisory Authority, considers the portion of the write-down attributed to policy holders to be only that referring to the effects of divestment or maturity of the investments, temporarily leaving the Company liable for the latent capital loss portion.

The analyses performed showed that the recoverable value of the intangible asset is higher than the amount recognised in the consolidated financial statements after deducting related amortisation for the year.

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 and from the more stable form of funding. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the interbank interest rate.
The intangible asset is the value of this future margin, called "deposit premium", and the other direct economic components related to deposits (commissions and management costs). The value of the "deposit premium" is therefore linked to the trend of market interest rates and to changes in funding volumes. The valuation of the asset requires the identification of the structural component of funding and, therefore, the exclusion of highly-volatile or non-recurring funding sources.
The value of this asset is determined by discounting the flows representing the income margins generated by deposits over a period deemed to express expected residual maturity at the acquisition date. This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits

(which for the Intesa Sanpaolo Group is equal to 18-24 years).
For the 2009 financial statements the amortisation of the asset for the year was recognised to the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; in this case impairment testing has to be performed. The scope of reference for the purpose of impairment testing is the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2009. Verification was performed with regard to the Banca dei Territori CGU (also including CR Firenze) and Banca Fideuram, these two being the only CGUs for which the core deposits intangible is recognised.

To detect potential impairment indicators, the following factors were taken into account: the total deposit volumes, the trend in mark-down (the difference between the Euribor 1 month rate and the rate paid to the customer on deposits and current accounts) forecast for future years and the cost-income ratio.
The analyses carried out showed that volumes increased compared to balances at the end of 2008 and were significantly higher compared to the balances analysed upon purchase price allocation as part of the business combination. In terms of profitability, an improvement in the mark-down trend compared to forecasts made for the 2008 financial statements was recorded, although at values that are still lower than those hypothesised upon initial measurement of the intangible asset. However, the decline in deposit rates is envisaged over a rather limited timeframe compared to the intangible measurement period (18-24 years) and will therefore not significantly impact valuation of the same.
Given the situations illustrated above, no indicators were therefore identified to imply that the intangible asset is impaired.

Brand name
IFRS 3 considers the “brand name” a potential, marketing-related intangible asset, which may be recorded in the purchase price allocation process.
For this purpose please note that the term "brand” is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.
With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an “umbrella” brand to which the brands of the network banks were related, and the brand of the subsidiary Banca Fideuram since it is an autonomous entity strongly recognised on the market for the placement of financial products through a network of financial planners. Both are considered intangibles with indefinite useful life since they are deemed to contribute indefinitely to the formation of income flows. Market methods and fundamental, flow-based methods have been used in the valuation of the two brands. Value was determined as the average of the values obtained using the various methods.
As this intangible asset has no independent cash flows, for impairment testing purposes for the 2009 financial statements it was included in the verification of the retention of goodwill for the various CGUs.

Impairment testing of CGUs and goodwill

Definition of Cash Generating Units (CGUs)
For verifying impairment of intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, for the purpose of IAS 36, the estimate of value in use requires the preliminary assignment of such intangible assets to relatively independent organisational units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs).
The meaning of the impairment test is significant for identification of the CGUs. IAS 36 indicates the necessity to correlate the level at which impairment is tested with the level of internal reporting at which management controls the increases and decreases of this value. Under this aspect, definition of this level closely depends on the organisational models and on the assignment of management responsibility for the purposes of defining the operating guidelines and consequent monitoring. These models may disregard (and in the case of the Intesa Sanpaolo Group do disregard) the breakdown of the legal entities through which operations are carried out, and are very often closely linked to the definition of business operating segments at the basis of the sector reporting envisaged by IFRS 8. Furthermore, these considerations, as regards the criteria to determine the CGUs for goodwill impairment testing purposes, are consistent with the definition of recoverable value – which is at the basis of impairment tests – according to which, in measuring the recoverable value of an asset, the amount the company expects to recover from that asset is significant, including the effect of synergy with other assets. Therefore, in accordance with the price formation principles that gave rise to goodwill accounting, the recoverable value for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also internal ones, which the specific acquirer may gain from the integration of activities obtained through business combinations, as a function of the business management models defined.
The Intesa Sanpaolo Group’s organisational model envisages that:
- decisions on operating policies be assigned to managers of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives be outlined and directed centrally for each operating division;
- planning processes and reporting systems be carried out at the operational segment level;
- specialised transversal areas be defined to provide support and develop products benefitting many subsidiaries;
- the management of financial risks also be highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various

business lines;
– the various divisions operate in homogenous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies formulated at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.
In the Intesa Sanpaolo Group, the CGUs which in the long-term benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:
– Banca dei Territori;
– Corporate and Investment Banking;
– Public Finance;
– Eurizon Capital;
– Banca Fideuram;
– International Subsidiary Banks.

These CGUs correspond to the Group's business units and at the same time are the core business areas considered for segment reporting.
These divisions are considered representative of Cash Generating Units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned, also the minimum level for the management of planning and reporting processes by Parent company Intesa Sanpaolo. Therefore, these are the minimum units to which goodwill may be allocated and monitored according to non-arbitrary criteria.

The International Subsidiary Banks Division calls for a number of specific comments, given the particular structure and conditions under which it operates.
It should firstly be mentioned that the cash flows of the various Group companies forming this business unit were strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent company. These policies were defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, without considering the individual development of the companies concerned. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives were outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, impose both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.
However, it is important to consider that not all factors affecting the mutual level of cash flows within the Division, and therefore the intensity of their interdependence, can be controlled by the Group's Head Office Departments. In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.
Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
Specifically, if the cash flows expected by the Parent company from activities for which a foreign subsidiary is legally liable are extensively conditioned - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which it is based, the subsidiary cannot be considered an integral part of the single management model for the CGU to which it belongs. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the abovementioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced more by the country's conditions than by the unitary and centralised management policy adopted by the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systematic central control of cash flows of the subsidiary are restored.
For the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of subsidiary Pravex Bank, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division.
Ukraine's political situation remained muddled in 2009, with a further decline in real GDP due to a sharp drop in investments and consumption. Even the currency situation is still rather critical, as measures by the Central Bank did not prevent further depreciation of the local currency. Despite the rate hike policies recently adopted by the authorities in 2009, significant inflation was recorded in 2009, although at lower rates than 2008. Trends in deposits and loans also suffered, with negative growth rates of around 10%.
Under these circumstances, it is appropriate to confirm the decisions made with respect to the 2008 financial statements and, therefore, to consider Pravex Bank, for impairment testing purposes, separately from the Group's International Subsidiary Banks Division. It should be noted, however, that this decision had no concrete impact on impairment testing with respect to the 2009 financial statements, as the goodwill pertaining to the subsidiary had been fully written down during drafting of the financial statements for the prior year.
Such separate assessment for impairment testing purposes has no bearing on the Group's intention to support development of the subsidiary in question.

Book value of the CGUs

The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore their book value must be determined in accordance with the scope of the estimation of the recoverable amount and must, therefore, also include the financial assets/liabilities. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.

On this basis (so-called "equity side"), the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram, Public Finance and International Subsidiary Banks) has been determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill (for which "grossing up" is carried out for minority stakes) and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries.

With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate & Investment Banking), given that especially the Parent company contributes to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors was required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver has been identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision provisions in force. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

The Group's securities services business requires separate consideration. In fact, at the end of 2009, Intesa Sanpaolo signed the purchase and sale agreement to transfer the securities services business line to State Street Corp. The business division subject to disposal comprises two separate legal entities, Intesa Sanpaolo Servizi Transazionali - which will contain all Italian business involved in the transaction via business line contribution - and Sanpaolo Bank Luxembourg, and contains four business lines:

– administration activities relating to the settlement of foreign securities and their custody (Global Custody);
– calculation of the unit value of investment funds and portfolio management with the relative administrative services (Fund Administration);
– regulatory monitoring of fund operations and of the accuracy of the unit value (Depositary Bank);
– administrative services regarding the placement of foreign funds in Italy (Correspondent Bank).

In the 2009 financial statements, the assets and liabilities of the business line are classified under the appropriate captions of the balance sheet, as envisaged by IFRS 5 "Non-current assets held for sale and discontinued operations". When it is assumed that the cash flows of an asset or group of assets held for sale derive mainly from the sale rather than from ongoing use, these become less dependent on the cash flows from other assets. Therefore, the aforementioned accounting standard requires that a group of assets held for sale and that was part of a CGU become a separate cash generating unit. As at 31 December 2008, the assets and liabilities relative to securities services belonged primarily to the Corporate & Investment Banking CGU and, for the residual amount, to the Banca Fideuram CGU. Therefore, the securities services business was identified as a separate and independent business in the 2009 financial statements.

Furthermore, IAS 36 excludes assets classified according to IFRS 5 from its scope of application. Accordingly, the goodwill relative to the business line for which the purchase and sale agreement was signed is classified under assets held for sale and, in accordance with the provisions of IFRS 5, measured at the lesser of cost and fair value, net of disposal costs.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing, take into account the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

Values / CGU	Value as at 31.12.2009			
	Book Value	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	27,447	*11,468*	*1,507*	*799*
Corporate and Investment Banking	12,609	*3,116*	*502*	-
Public Finance	1,251	*10*	-	-
Eurizon Capital	2,116	*1,411*	-	-
Banca Fideuram	2,622	*969*	*375*	-
International Subsidiary Banks	7,067	*1,864*	-	*742*
Pravex (Ukraine)	101	-	-	-
TOTAL	**53,213**	***18,838***	***2,384***	***1,541***
Non-current assets held for sale and discontinued operations (*)	1,010	*531*	-	-
GROUP TOTAL	**54,223**	***19,369***	***2,384***	***1,541***

(*) Classified under non-current assets held for sale and discontinued operations as at 31 December 2009.

Criteria for estimates of CGUs' value in use

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. These cash flows are estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.
The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect market conditions and different economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".
The cash flows produced by the international subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Cash flow estimates

With regard to calculation of the value in use of CGUs for impairment testing purposes, the recent volatility of financial markets and the uncertainties regarding the future and the economic recovery make the definition of future cash flows from operating activities and the identification of growth rates to calculate the terminal value of CGUs particularly complex.
To calculate the flows, estimates are produced via an analytical approach for the three-year period 2010-2012, using extrapolation criteria to determine the flows for infinite projection for the purpose of obtaining the terminal value.
For impairment testing purposes, the 2010-2012 flows were calculated through the formulation of forecasts by management and, as already mentioned, submitted for approval by the Management Board, along with the entire impairment test procedure. More specifically, the 2009-2011 estimates, calculated according to the same criteria for the purposes of impairment testing for the 2008 financial statements, were updated and extended by one year. These forecasts are the result of a detailed and complex process which, according to the ordinary internal planning procedures, involved top management and the Head Offices of the Divisions. These forecast data were prepared in order to support impairment testing.
The first step in defining future cash flows for the various business areas is represented by forecasts of the macroeconomic and sector scenarios.
The uncertainties of this scenario, given the tentative economic recovery underway, which is of a lower magnitude than expected and differs from country to country and sector to sector, have resulted in a prudent attitude in defining the forecasts for the next three years, especially as regards foreign countries.
The economic recovery was further consolidated at the end of 2009, and GDP resumed growth in all of the main business areas starting from the third quarter.
The international context should continue to be favourable for growth in 2010. This may be associated with new hikes in the prices of energy and industrial raw materials, but it is not likely that these will lead to significant and lasting increases in inflation. Base projects for the subsequent two-year period hypothesise continued economic expansion.

As far as Italy is concerned, grow will be moderate in 2010, fuelled by the recovery in internal demand, as well as by the contribution of foreign trade. Forecasts for 2011 and 2012 indicate a consolidation of this growth.
In the foreign countries in which the Intesa Sanpaolo Group operates, the situations vary according to the geographical area. Prudent forecasts suggest a possible return to moderate growth rates in 2010, which should then consolidate in the subsequent two-year period. A slower growth trend is expected in Russia and Ukraine, where loans are expected to decline further in 2010.
Egypt, on the other hand, which has for the most part not been directly affected by the financial crisis, should continue to demonstrate significant growth rates for the 2010-2012 period as well, accompanied however by rapidly rising inflation.
With regard to the banking and financial sector, the scenario suggests an initial increase in the official rates at the end of 2010, followed by other increases over the next two years. The interest rate curve should remain rather steep in 2010, and then gradually level out as a result of a rise in short-term rates.
Direct customer deposits are forecast to continue to grow steadily, although more slowly, at the beginning of 2010. A subsequent sharper slowdown is envisaged, compared to the high growth rates of 2009 and consistent with the gradual return to normal money and capital market conditions.
The bank lending scenario for the next three-year period is influenced by a variety of factors, the combined effect of which is a moderate performance at a markedly more contained level than before the crisis. The significant factors include growth in non-performing positions, which is set to continue in 2010 as well, with some after-effects probable even in 2011, causing marketing policies to take a more prudential slant.
The Italian asset management market was favourably affected by the positive performance of financial markets in 2009. Although with a margin of uncertainty particularly regarding the performance of rates and of the markets, there is no reason to assume that trend will be radically reversed over the next few years.
With regard to the Eastern European countries, bank aggregates, after a substantial decline in 2009, are expected to resume growth in 2010, although at lower rates than in the past. For the Ukraine, the recovery in lending is expected starting from 2011. The recovery in many countries will be hindered by the increase in non-performing loans. The forecasts for Egypt, on the other hand, only marginally affected by the financial crisis, suggest that the growth rate recorded in recent years should continue over the coming three-year period.

The table below illustrates the forecasts for the main macroeconomic indicators used.

Italy	**2009**	**2010**	**2011**	**2012**
REAL ECONOMY				
Real GDP Italy	-4.8	0.7	1.2	1.2
Consumer prices Italy	0.8	1.6	2.1	2.2
Period end ECB rate	1.0	1.3	2.8	3.8
3 month Euribor rate	1.2	1.1	2.5	3.6
BANKING SECTOR				
Loans (average volumes)	2.1	2.5	4.5	5.3
Direct customer deposits (average volumes)	10.5	4.4	3.3	3.7
Average customer spread	2.44	2.34	2.52	2.85
Mutual funds (end of period stock)	3.6	7.0	7.4	7.7
Portfolio management (end of period stock)	8.0	5.4	4.3	5.5
Life technical reserves (end of period stock)	17.8	6.4	8.4	8.5

Values	Countries	Albania	Bosnia -Hercegovina	Croatia	Serbia	Slovenia	Slovak Republic	Hungary	Romania	Russia	Ukraine	Egypt
2009	Real GDP	0.5	-3.0	-6.0	-3.2	-7.0	-5.1	-6.5	-7.5	-8.5	-17.0	4.7
	Inflation	2.0	-0.3	2.4	7.8	0.9	0.9	4.2	5.6	11.3	18.3	12.0
	Increase in loans	8.9	-3.5	1.2	14.6	2.7	2.1	-1.2	1.0	-2.5	-6.0	1.0
	Increase in deposits	5.1	2.2	0.2	19.8	4.0	-8.7	0.6	10.8	12.3	-10.0	7.5
	Loan interest rates	12.7%	7.9%	11.0%	13.7%	4.4%	5.4%	11.1%	17.2%	15.4%	19.7%	12.2%
	Deposit interest rates	6.7%	3.6%	3.2%	6.7%	2.2%	1.1%	8.2%	11.6%	8.5%	13.5%	6.7%
2010	Real GDP	1.5	1.0	-0.5	1.5	1.0	2.1	-0.5	0.5	2.5	2.0	5.0
	Inflation	2.3	1.5	2.8	7.5	1.8	2.0	3.5	3.6	11.0	15.0	15.0
	Increase in loans	9.1	3.0	2.3	11.0	4.0	6.5	2.9	5.0	5.0	-2.0	9.0
	Increase in deposits	5.3	2.8	2.4	11.5	5.0	4.6	3.8	6.5	10.0	5.0	9.5
	Loan interest rates	11.5%	n.d.	9.7%	12.2%	4.2%	4.8%	7.7%	13.9%	13.0%	19.0%	12.8%
	Deposit interest rates	5.9%	n.d.	2.7%	5.2%	1.9%	1.0%	5.1%	8.5%	6.5%	13.0%	7.0%
2011	Real GDP	3.0	2.5	1.9	3.5	2.5	3.3	1.5	3.5	3.0	3.2	5.5
	Inflation	2.5	2.5	3.0	7.0	2.2	2.5	3.2	3.4	10.0	14.0	13.0
	Increase in loans	9.5	5.5	5.1	12.0	6.0	7.9	6.3	9.3	10.0	8.0	10.0
	Increase in deposits	7.4	6.5	5.0	12.0	5.8	6.3	6.0	8.8	12.0	10.0	10.0
	Loan interest rates	11.2%	n.d.	9.3%	12.0%	4.6%	5.1%	7.6%	12.9%	12.5%	16.2%	12.5%
	Deposit interest rates	5.6%	n.d.	2.3%	5.0%	2.2%	2.3%	5.0%	7.4%	6.0%	9.8%	6.5%
2012	Real GDP	4.0	3.5	2.5	4.5	3.0	3.6	2.8	4.0	4.0	4.5	6.0
	Inflation	2.5	3.0	3.0	7.0	2.5	3.0	3.0	3.0	9.0	13.0	12.0
	Increase in loans	10.0	7.1	5.7	14.0	6.9	8.3	7.5	9.8	15.0	14.0	12.0
	Increase in deposits	8.6	7.5	5.6	12.5	6.6	7.5	7.2	9.3	13.0	11.0	11.5
	Loan interest rates	11.3%	n.d.	9.5%	12.5%	5.6%	5.7%	8.0%	13.0%	12.8%	15.0%	11.6%
	Deposit interest rates	5.7%	n.d.	2.4%	5.4%	3.2%	3.3%	5.3%	7.5%	6.2%	9.0%	6.0%

The estimation of future cash flows of the various CGUs was performed in two stages.
For the initial forecasting period, i.e. 2010-2012, the forecasts formulated by Group management were used. These forecasts, in accordance with the principles for impairment testing purposes, were based on the macroeconomic forecasts described above. Therefore, the future cash flows suggest that 2010 will see initial signs of recovery in all business segments, and that there will be a cautions consolidation of growth in 2011 and 2012, considering the uncertainty of the current economic and financial scenario. Furthermore, the guidelines of these data confirm the objective of sustainable profitability for the Group over the medium term, briefly summarised as a progressive improvement in the cost-income ratio, in the profitability of ordinary operations and in net profit, through:
- optimisation of the large growth potential for core business revenues;
- investment in growth and innovation, with adequate cost control;
- monitoring of credit quality, aiming at a recovery of disbursements;
- maintenance of the Group's solidity in terms of assets and liquidity;
- innovation and simplification of critical success factors in the three-year period.

Although they incorporate the uncertainties of the current macroeconomic scenario, the forecast figures take into account the structural capacity of the Group to generate income through its strong focus on lending intermediation, limited financial leverage, the excellent liquidity profile, constant control of operating costs and careful monitoring of credit quality.
As described above, the securities services business was identified as a separate and independent business. In the 2009 financial statements, the assets (including goodwill of 531 million euro) and liabilities of the business line are classified under the appropriate captions of the balance sheet, as envisaged by IFRS 5 "Non-current assets held for sale and discontinued operations". Goodwill, which in the 2008 financial statements was essentially attributable to the Corporate & Investment Banking CGU (except for a residual amount of approximately 10 million euro which was attributable to the Banca Fideuram CGU), was much lower than the value recognised by the business acquirer in the agreement signed last December.
According to the provisions of IFRS 5, the goodwill relative to the business line for which the purchase and sale agreement was signed is classified under assets held for sale and, in accordance with the provisions of IFRS 5, measured at the lesser of cost and fair value, net of disposal costs. As the fair value (equal to the price established in the purchase and sale agreement) was much higher, the relative goodwill is not in an impairment situation.
In accordance with the above, the cash flows to be used for impairment testing of the Corporate & Investment Banking and Banca Fideuram CGUs have clearly been calculated without taking into account the contribution of the business line being transferred.

For the International Subsidiary Banks CGU, the flows were determined in local currency and converted to euro at the 31 December 2009 exchange rates.

As part of the valuation criteria for the financial matrix, i.e. that used to estimate the value in use, the terminal value of a company at the end of the flow forecasting period is normally determined by infinite capitalisation of the cash flow achievable in normal conditions at an appropriate "g" rate. This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing only if adequately justified).
As an alternative to the terminal value estimation methodology, legal provisions also envisage (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not usable with a view to a business as a going concern.
In the decisions to be made with reference to criteria for the extrapolation of cash flows beyond the forecasting period, it is important to take into account the current market context in defining the prospective scenario.
For impairment testing purposes as at 31 December 2008, a growth process for the forecast cash flows beyond the three years was considered, comprising two distinct phases: the first step for 2012-2013, for which growth rates were extrapolated from the forecasting period, assumes that the five-year period (the maximum envisaged under IFRS) can achieve flows considered "normal" and can therefore be infinitely projected (step two) in order to determine the terminal value. As mentioned above, this approach was considered valid, as it was felt that 2011 (last year of the forecast) was not able to adequately express the stable and normal income production capacities. In fact, this year still felt the effects of the financial crisis and did not fully represent the normal income-producing capacities of the CGUs. Therefore, with a long-term outlook, it was deemed appropriate to predict a growth in cash flows beyond the planned time period, consistent with the potential of each CGU to resume normal profitability levels.
With reference to the forecast cash flow estimates used for the current impairment test, where the last forecast year is 2012, which according to expectations should show a continuation of the growth trend, the forecast period was limited solely to the 2010-2012 period, from a prudential perspective. This is because it is assumed that the CGUs will have already recovered normal profitability levels by 2012, and the flows in this year may already be representative of the long-term flow to be capitalised for the purposes of determination of the terminal value.
In step two, for all CGUs, on termination of the extrapolation period (2012), the flows were infinitely projected assuming the growth factor to be the expected real GDP growth rate for each country considered in the period 2008-2012, to which the inflation rate is added (determined as specified below) in order to express the rate in nominal terms.
The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.
In the majority of countries in which Intesa Sanpaolo operates, the 2009 GDP figure shows extremely sharp declines considered to be exceptional by all experts. Therefore, the future observation period for this indicator must be limited to just a few years, as it is impossible to make longer-term estimates. For the period 2010-2012, for which forecast data are available, there are expectations of an inversion in trend compared to the last part of 2008 and to 2009 and, therefore, of a gradual recovery in the GDP growth process. However, using only forecast data to estimate the growth rate for the purposes of calculating terminal value risks being excessively optimistic, given the current uncertainties still weighing on the global economy. On the other hand, the use of average forecast data that include final information from 2009 is heavily penalised by the strong impact of this decidedly negative year. Using an observation period that includes an appropriate number of past years, given the presence of a positive economic cycle that was interrupted and inverted in 2008, would probably lead to overestimating forecasts as a result of future expectations, which are highly uncertain, as mentioned above. Inclusion in the observation period of 2008 (negative although not yet fully impacted by the economic crisis) and 2009, in addition to the forecasted values for the period 2010-2012, would provide a balance between the aforementioned observation hypotheses and determination of a reasonably prudent average nominal rate. In fact, the average rates obtained for the period 2008-2012 are lower than the average forecast data for the period 2010-2012 and, in real terms, are negative for some countries (including Italy).
It should be remembered that rates are nominal when the cash flows are calculated in inflationary currency, whereas they are expressed in real terms if the cash flows are determined in constant (or real) currency. In the case of Intesa Sanpaolo, as the flows are expressed in inflationary currency, the growth rates are expressed in nominal terms.

Cash flow discounting rates

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present market valuations of the time value of money and the asset's specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all benchmarks based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature, goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable. This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express 'normal' conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, for a bank this is estimated from the equity side, i.e. taking into account only the bank's own capital cost (Ke).

The capital cost is determined using the Capital Asset Pricing Model (CAPM). Based on this model the capital cost is calculated as the sum of risk-free ROI and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific capital costs of each CGU were identified.
Lastly, it should be mentioned that as the cash flows are determined in nominal terms, as already indicated for the growth rates, the discounting rate is also determined in nominal terms, i.e. incorporating expected inflation.
In detailing the various components that go to determine discounting rates, it should be mentioned that:
- the risk-free component is determined on the basis of December 2009 ROI on German government 10-year bonds (the only bonds in Europe in the current context that have near risk-free rates), and 30-year bonds for international subsidiary banks operating in countries which in the last few years have recorded GDP growth considerably higher than those recorded in mature markets;
- the equity risk premium – represented by the difference between stock market yield and the ROI on risk-free securities determined in reference to a wide time horizon – was calculated on the basis of historic data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context which, on the one hand, reflects particularly volatile stock market prices that tend not to express economic "fundamentals" and, on the other hand, offer a framework of uncertainty in which it is difficult to formulate reliable results forecasts in order to estimate the equity risk premium implicit in quoted prices. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2009, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
- the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the mean Beta figure used was that recorded on a monthly basis over a five-year period;
- the country risk premium was considered separately to the risk-free component in order to gain a clearer picture of the risk factors specific to this component which, especially for certain countries in which the Group operates, are of particular importance. This component was calculated on the basis of historic data and taking into consideration two factors: (i) the differential between the historic ROI of government securities in the country to which the country risk premium refers, and the ROI on government securities issued in a risk-free country; (ii) adjustment of the premium estimated under (i) considering the higher degree of stock market risk in government securities issued in the country concerned. This component is measured as a ratio of stock market volatility (expressed in terms of standard deviation) and the volatility of the government securities market of the country to which the country risk refers. In this way, the country risk premium is expressed in the prospective terms of an investor in the stock market of the country in question.

The discounting rates, determined in real terms as for the "g" growth rates, are adjusted to nominal values by adding an appropriate inflation rate. The inflation rate is determined country by country, based on the average inflation rate for the 2008-2012 period.

Summary of growth rates and discounting rates used

The table below summarises the abovementioned growth rate and discounting rate components used for each CGU. Growth rates for 2009-2012 incorporate the growth rate envisaged in the estimates prepared by management. In determining the growth rates, the non-recurring components attributable to the impairment of equity investments, merger and restructuring-related charges, profits/capital gains from assets held for sale or discontinued operations and extraordinary tax-related components are deducted from the figures recorded for 2009.

Rates/ parameters CGU	Nominal growth rates for impairment testing (2009 - 2012)	Nominal growth rates in terminal value "g"	Nominal discounting rates	Inflation rates
Banca dei Territori	40.32%	1.44%	8.56%	1.99%
Corporate and Investment Banking	11.18%	1.44%	10.68%	1.99%
Public Finance	11.20%	1.44%	9.46%	1.99%
Eurizon Capital	14.28%	1.44%	10.31%	1.99%
Banca Fideuram	20.19%	1.44%	9.76%	1.99%
International Subsidiary Banks (1)	21.08%	6,89% (2)	15,49% (3)	5,43% (4)
Pravex (Ucraina)	n.s.	n.s.	34.20%	17.10%

(1) Weighted average rates

(2) The rates applied for the various international subsidiaries as at 31 December 2009 were as follows: Intesa Sanpaolo Bank Albania (Albania) 5.73%, Banka Koper (Slovenia) 3.28%, BIB (Serbia) 10.10%, Bank of Alexandria (Egypt) 20.55%, CIB (Hungary) 3.56%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 6.28%, KMB Bank (Russia) 12.55%, PBZ (Croatia) 3.54%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 4.80%, VUB (Slovakia) 4.57%

(3) The rates applied for the various international subsidiaries as at 31 December 2009 were as follows: Intesa Sanpaolo Bank Albania (Albania) 16.69%, Banka Koper (Slovenia) 10.14%, BIB (Serbia) 21.40%, Bank of Alexandria (Egypt) 25.42%, CIB (Hungary) 13.13%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 15.25%, KMB Bank (Russia) 21.41%, PBZ (Croatia) 13.19%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 18.49%, VUB (Slovakia) 11.17%

(4) The rates applied for the various international subsidiaries as at 31 December 2009 were as follows: Intesa Sanpaolo Bank Albania (Albania) 2.54%, Banka Koper (Slovenia) 2.62%, BIB (Serbia) 7.58%, Bank of Alexandria (Egypt) 14.06%, CIB (Hungary) 4.00%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 4.68%, KMB Bank (Russia) 11.08%, PBZ (Croatia) 3.46%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 2.80%, VUB (Slovakia) 2.46%

Impairment testing results

Impairment testing did not lead to the need to record goodwill impairment for any of the CGUs of the Intesa Sanpaolo Group.

Regarding goodwill for the securities services business, classified among assets held for sale as at 31 December 2009 and therefore excluded from the scope of application of IAS 36, verification of the absence of impairment losses was carried out, as envisaged by IFRS 5, by comparing the book value of the business and the sales price agreed between the counterparties. The values recognised during negotiations fully support the book value of the business subject to future disposal.

The results of impairment testing and the values in use of the various CGUs, calculated according to the methods and based on the parameters illustrated above, confirm the values recorded in the financial statements.

To this end, it was observed that the market values, equal to the price of the security, and therefore to the stock market capitalisation, and the valuations recently expressed by investment houses and financial analysts are lower than the net book value.

However, both valuations have characteristics that differentiate them from a “basic” assessment consisting of the value in use.

The price of Intesa Sanpaolo stock is affected by the conditions of financial markets, which are still generally depressed and highly volatile, while the valuations of analysts, aimed at financial investors and therefore geared toward an estimate of expected prices and values over the short term, place greater emphasis on the current economic situation which, however, penalises Italy in particular (also as a result of its high public debt) and the banking sector (due to uncertainties on the impacts of new prospective supervisory provisions). These valuations represent the value potentially obtainable from disposal of the asset, and are therefore closely pegged to prices and to current market conditions.

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 pegged to the short-term expectations of the market itself and only consider the so-called universal synergies.

It is believed that impairment tests should be performed with the awareness that the current crisis will significantly affect expected short- and medium-term cash flows from operating activities, without however influencing the Intesa Sanpaolo Group's primary sources of income and competitive advantages, as demonstrated by the results achieved in 2009, despite the difficult operating context.

Therefore, in the current market situation, the value in use is considered to be a better expression of the recoverable value of the Group's operating activities. Moreover, considering the market context and objectives of impairment testing, cautious measures were adopted in developing the valuation model, in terms of estimating future cash flows as well as in the choice of financial parameters:

– in estimating the forecast cash flows for the three-year period 2010-2012, a macroeconomic and market scenario was considered with growth rates for the major aggregates generally lower than the consensus expressed by research companies and by international bodies;
– for the calculation of the terminal value, the expected cash flows were extrapolated using particularly conservative growth rates. For example, in the case of CGUs with a predominance of their business in Italy, a growth rate that in real terms is negative (-0.55%) was used, while the corresponding expected average rate for 2010-2012 is +1.03%. Analogous pronounced differences are observed for the majority of foreign countries;
– the cost of capital was determined analytically, based on market parameters gathered for each CGU according to the various risk levels of the respective businesses, considering the various risk factors analytically as well; furthermore, the average weighted value obtained is consistent with the cost of capital of Intesa Sanpaolo expressed by the market and with the average rates used by investment houses in the most recent reports on Intesa Sanpaolo stock.

Sensitivity analyses
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.
In particular, the impact on the value in use of an increase in discounting rates up to 100 bps and a decrease in the growth rate for terminal value purposes of up to 50 bps was verified. Analyses were also carried out on the impact on value in use of changes in the cash flows, following the hypothetical deterioration of certain macroeconomic parameters (GDP and Euribor rate).
The table below illustrates the sensitivity (in percentage terms) of the value in use of the various CGUs to changes in the "g" rate or discounting rate +/- 10 basis points.

Sensitivity / CGU	Sensitivity to growth rate "g" -/+ 10 bps	Sensitivity to discount rate +/- 10 bps
Banca dei Territori	1.31%	1.44%
Corporate and Investment Banking	0.94%	1.07%
Public Finance	1.10%	1.24%
Eurizon Capital	1.00%	1.13%
Banca Fideuram	1.06%	1.19%
International Subsidiary Banks	1.21%	1.34%
Pravex (Ukraine)	n.s.	n.s.

It should also be mentioned that - in extreme stress test terms - a 50 bps deterioration of the growth rate and a 100 bps increase in the discounting rate, considered jointly, would bring the value in use to a level lower than the book value only for the Eurizon Capital CGU (equal to 2,203 million euro).
In stress test terms, analyses aimed at highlighting the value limits of the main inputs, beyond which impairment testing of the CGU in question would require recognition of impairment, were carried out. To this end, the table below illustrates the "g" rate and the discounting rates (Ke) for each CGU that would lead, assuming the same cash flows to be discounted, to values in use that are aligned to the book values.

Sensitivity / CGU	Growth rate "g"	Discount rate Ke
Banca dei Territori	-0.62%	10.38%
Corporate and Investment Banking	-1.18%	12.91%
Public Finance	-4.28%	14.21%
Eurizon Capital	1.03%	10.68%
Banca Fideuram	-2.83%	13.36%
International Subsidiary Banks	4.02%	18.27%
Pravex (Ukraine)	n.s.	n.s.

Sensitivity analyses were also carried out on the cash flows envisaged for 2010-2012, in relation to deterioration of the forecasts for macroeconomic parameters used to calculate the predicted cash flows for impairment testing. In particular, a scenario involving a GDP value (in Italy as well as in the various foreign countries in which Intesa Sanpaolo operates) and Euribor 3-month rate of 1% less than those used was hypothesised, with the relative impact on volumes traded and managed by the Group and on their profitability. This is an extremely cautious operating scenario that in Italy, where the Group carries out the majority of its activities, would mean zero growth of the economy for the entire three-year period and Euribor rates of 2.50% at the end of 2012. This scenario would lead to value in use estimates higher or significantly higher than the respective book values.

Finally, if a value-in-use calculation approach in line with the 2008 financial statements were adopted, introducing an additional growth period (2013-2014) to the three-year period of analytical forecasts, with a consequent infinite projection of flows at the end of this period, the values of the CGUs would have been higher than those calculated for the purposes of this impairment test.

SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 80 OF LIABILITIES

14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 5,248 million euro, of which 4,872 million refers to taxes recorded through profit and loss and 376 million euro for taxes with a balancing entry under shareholders' equity.

The first of these amounts refers to tax losses brought forward, to the portion of benefits not offset in relation to adjustments to loans deductible in future years, to provisions for risks and charges, and to the benefit from realignment of the taxable value of goodwill pursuant to art. 15, par. 10, Law Decree 185/2008. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets available for sale and cash flow hedges.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 2,124 million euro and the balancing entry is mostly in the income statement (1,979 million euro) as well as in shareholders' equity (145 million euro).

The former mostly refer to the residual portion of deferred tax liabilities registered following the purchase price allocation of the acquisition of the Sanpaolo IMI Group and the Cassa di Risparmio di Firenze Group.

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

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**4,148**	*3,978*	*165*	*5*	**1,575**
2. Increases	**2,172**	*2,128*	*44*	-	**4,742**
2.1 Deferred tax assets recognised in the period	839	*797*	*42*	-	3,762
a) related to previous years	*79*	*79*	-	-	*575*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	*11*
d) other	*760*	*718*	*42*	-	*3,176*
2.2 New taxes or tax rate increases	3	*3*	-	-	-
2.3 Other increases	1,330	*1,328*	*2*	-	884
2.4 Business combinations	-	-	-	-	96
3. Decreases	**-1,448**	*-1,315*	*-128*	*-5*	**-2,169**
3.1 Deferred tax assets eliminated in the period	-657	*-541*	*-116*	-	-695
a) reversals	*-509*	*-393*	*-116*	-	*-695*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-148*	*-148*	-	-	-
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-790	*-773*	*-12*	*-5*	-1,474
3.4 Business combinations	-1	*-1*	-	-	-
4. Final amount	**4,872**	*4,791*	*81*	-	**4,148**

It should be mentioned that deferred tax assets recognised for the year and relating to past years, totalling 79 million euro, include 45 million euro in deferred tax assets on past years' tax losses of NHS Investments, which incorporated Private Equity International and subsequently adopted its name.

Other increases recorded under point 2.3, totalling 1,330 million euro, mainly include the reversal of netting performed in the previous year.

Other decreases as per point 3.3, amounting to 790 million euro, mainly include netting performed during the year between deferred tax assets and liabilities.

Redemption of the Employee Termination Indemnities

During 2009, the company also took advantage of the possibility to recognise the lower value of Employee Termination Indemnities, calculated in accordance with the international accounting standards, compared to tax values, by paying a substitute tax of IRES and IRAP at a lower rate (between 12% and 16%).
Since deferred tax liabilities of 58 million euro at ordinary rates had been recorded for the higher tax value of the Employee Termination Indemnities, payment of the substitute tax of 32 million euro to the tax authority resulted in a 26 million euro benefit to the 2009 income statement.

Recognition of deferred tax assets on past years' tax losses of Private Equity International

As part of the Group’s rationalisation process, the merger by incorporation of Private Equity International into NHS Investments was completed on 30 September 2009, effective from 1 January 2009. Following the merger, NHS adopted the name Private Equity International S.A.
According to the last income tax return submitted prior to the merger, NHS had tax losses to be carried forward indefinitely of approximately 157 million euro, with respect to which, after the corporate transaction, it was possible to record deferred tax assets of around 45 million euro in the 2009 consolidated financial statements (calculated based on the tax rate in force in Luxembourg, equal to 28.59%), with a corresponding benefit in the consolidated income statement.

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

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**2,770**	*2,349*	*417*	*4*	**2,960**
2. Increases	**1,328**	*1,316*	*12*	-	**1,970**
2.1 Deferred tax liabilities recognised in the period	77	*66*	*11*	-	641
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*77*	*66*	*11*	-	*641*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	1,251	*1,250*	*1*	-	1,034
2.4 Business combinations	-	-	-	-	295
3. Decreases	**-2,119**	*-1,939*	*-176*	*-4*	**-2,160**
3.1 Deferred tax liabilities eliminated in the period	-1,553	*-1,384*	*-167*	*-2*	-798
a) reversals	*-1,517*	*-1,350*	*-167*	-	*-795*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-36*	*-34*	-	*-2*	*-3*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-564	*-555*	*-9*	-	-1,362
3.4 Business combinations	-2	-	-	*-2*	-
4. Final amount	**1,979**	*1,726*	*253*	-	**2,770**

Other increases recorded under point 2.3, totalling 1,251 million euro, mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3, amounting to 564 million euro, mainly include netting performed during the year between deferred tax assets and liabilities.

Exercise of the option pursuant to art. 15, par. 10, Law Decree 185/08, converted to Law 2/09

In 2009, pursuant to the above regulation, redemptions were carried out with respect to the values of intangible assets with a finite life and of the brand name registered following the Intesa and Sanpaolo IMI merger, for a value of 3,229 million euro, against which deferred tax liabilities of 1,028 million euro were recognised.
Redemption of the aforementioned intangibles resulted in use of the pre-established allowance for deferred tax liabilities, with subsequent payment to the tax authority of 517 million euro and recognition in the income statement of the 511 million euro difference.

14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
1. Initial amount	**595**	*375*	*220*	-	**108**
2. Increases	**89**	*79*	*10*	-	**545**
2.1 Deferred tax assets recognised in the period	59	*49*	*10*	-	502
a) related to previous years	-	-	-	-	*2*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*59*	*49*	*10*	-	*500*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	30	*30*	-	-	30
2.4 Business combinations	-	-	-	-	13
3. Decreases	**-308**	*-123*	*-185*	-	**-58**
3.1 Deferred tax assets eliminated in the period	-253	*-71*	*-182*	-	-9
a) reversals	*-219*	*-37*	*-182*	-	*-9*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-34*	*-34*	-	-	-
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-55	*-52*	*-3*	-	-49
3.4 Business combinations	-	-	-	-	-
4. Final amount	**376**	*331*	*45*	-	**595**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
1. Initial amount	**84**	*40*	*44*	-	**220**
2. Increases	**171**	*153*	*18*	-	**76**
2.1 Deferred tax liabilities recognised in the period	72	*54*	*18*	-	39
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*72*	*54*	*18*	-	*39*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	99	*99*	-	-	9
2.4 Business combinations	-	-	-	-	28
3. Decreases	**-110**	*-79*	*-31*	-	**-212**
3.1 Deferred tax liabilities eliminated in the period	-69	*-40*	*-29*	-	-131
a) reversals	*-32*	*-3*	*-29*	-	*-33*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-37*	*-37*	-	-	*-98*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-41	*-39*	*-2*	-	-81
3.4 Business combinations	-	-	-	-	-
4. Final amount	**145**	*114*	*31*	-	**84**

SECTION 15 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 150 OF ASSETS AND CAPTION 90 OF LIABILITIES

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
A. Non-current assets held for sale					
A.1 Financial assets	-	-	-	-	-
A.2 Investments in associates and companies subject to joint control	-	-	-	-	77
A.3 Property and equipment	4	*4*	-	-	3
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**4**	***4***	-	-	**80**
B. Discontinued operations					
B.1 Financial assets held for trading	10	*10*	-	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	4
B.3 Financial assets available for sale	-	-	-	-	12
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	5,200	*5,200*	-	-	74
B.6 Loans to customers	588	*588*	-	-	890
B.7 Investments in associates and companies subject to joint control	-	-	-	-	2
B.8 Property and equipment	4	*4*	-	-	13
B.9 Intangible assets	540	*540*	-	-	22
B.10 Other	206	*206*	-	-	38
Total B	**6,548**	***6,548***	-	-	**1,055**
C. Liabilities associated with non-current assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other	-	-	-	-	-
Total C	**-**	-	-	-	**-**
D. Liabilities associated with discontinued operations					
D.1 Due to banks	246	*246*	-	-	-
D.2 Due to customers	9,126	*9,126*	-	-	711
D.3 Securities issued	-	-	-	-	241
D.4 Financial liabilities held for trading	9	*9*	-	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	2
D.6 Allowances	5	*5*	-	-	10
D.7 Other	337	*337*	-	-	57
Total D	**9,723**	***9,723***	-	-	**1,021**

This caption includes the assets and liabilities of the Parent company’s Securities Services business line and of the subsidiaries Sanpaolo Bank Lux S.A. and Intesa Sanpaolo Servizi Transazionali S.p.A., for which transfer agreements were stipulated at the end of 2009, and are expected to be completed during the first half of 2010.

15.2 Other information

There is no other significant information to note as at 31 December 2009.

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

As at 31 December 2009, there were no investments in companies subject to significant influence not carried at equity and classified as held for sale.

SECTION 16 – OTHER ASSETS – CAPTION 160

16.1 Other assets: breakdown

(millions of euro)

	Total	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Amounts to be debited - under processing	3,267	*3,267*	-	-
Amounts to be debited - deriving from securities transactions	260	*260*	-	-
Transit items	1,140	*1,140*	-	-
Cheques drawn on the bank settled	23	*23*	-	-
Leasehold improvements	128	*128*	-	-
Amounts due from tax authorities relating to insurance business	396	-	*396*	-
Other	6,571	*5,943*	*624*	*4*
TOTAL 31.12.2009	**11,785**	*10,761*	*1,020*	*4*
TOTAL 31.12.2008	**11,515**	*10,069*	*1,440*	*6*

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Due to Central Banks	**8,033**	*8,033*	-	-	**9,464**
2. Due to banks	**35,336**	*35,313*	*17*	*6*	**42,281**
2.1 Current accounts and deposits	7,134	*7,133*	*1*	-	6,977
2.2 Time deposits	10,385	*10,385*	-	-	16,515
2.3 Loans	17,535	*17,513*	*16*	*6*	18,700
2.3.1 Repurchase agreements	*6,029*	*6,029*	-	-	*6,048*
2.3.2 Other	*11,506*	*11,484*	*16*	*6*	*12,652*
2.4 Debts for commitments to repurchase own equity instruments	204	*204*	-	-	10
2.5 Other debts	78	*78*	-	-	79
TOTAL	**43,369**	*43,346*	*17*	*6*	**51,745**
Fair value	**43,413**	*43,390*	*17*	*6*	**51,550**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Reverse repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

- Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 136 million euro;
- Put & Call Agreement to purchase the remaining 25% of KMB Bank Closed Joint-stock Company for approximately 56 million euro.

1.2 Breakdown of caption 10 “Due to banks”: subordinated debts

There are no subordinated debts as at 31 December 2009.

1.3 Breakdown of caption 10 “Due to banks”: structured debts

There are no structured debts as at 31 December 2009.

1.4 Due to banks with specific hedges

As at 31 December 2009, debts with fair value hedges against interest rate risk amounted to 476 million euro.

1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2009.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2008
1. Current accounts and deposits	171,419	*171,419*	-	-	173,392
2. Time deposits	26,213	*26,213*	-	-	29,166
3. Loans	10,857	*10,857*	-	-	11,588
3.1 Repurchase agreements	*7,422*	*7,422*	-	-	*8,528*
3.2 Other	*3,435*	*3,435*	-	-	*3,060*
4. Debts for commitments to repurchase own equity instruments	582	*582*	-	-	812
5. Other debts	1,743	*1,730*	*13*	-	2,540
TOTAL	**210,814**	*210,801*	*13*	-	**217,498**
Fair value	**210,860**	*210,847*	*13*	-	**217,487**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Reverse repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.

The amount under "Debts for commitments to repurchase own equity instruments" refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:
- Put & Call Agreement to purchase the remaining 10.29% of Cassa di Risparmio di Firenze for a total of approximately 373 million euro;
- Put & Call Agreement to purchase 32.9% of Cassa di Risparmio di Pistoia for a total of approximately 116 million euro;
- Put & Call Agreement to purchase 10.43% of Banca di Trento e Bolzano for a total of approximately 37 million euro;
- Put & Call Agreement to purchase the remaining 7% of Banca Intesa a.d. Beograd for a total of approximately 32 million euro.

2.2 Breakdown of caption 20 "Due to customers": subordinated debts

As at 31 December 2009, the amount under Due to customers included subordinated debts of 75 million euro.

2.3 Breakdown of caption 20 "Due to customers": structured debts

There are no structured debts as at 31 December 2009.

2.4 Due to customers with specific hedges

Debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

Financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	143,607	41,173	101,963	-	134,829	23,175	105,187	1,642
1.1 structured	*29,075*	*1,388*	*27,663*	-	*24,084*	*7,021*	*15,885*	*8*
1.2 other	*114,532*	*39,785*	*74,300*	-	*110,745*	*16,154*	*89,302*	*1,634*
2. other	41,636	-	40,312	1,325	53,451	1,000	46,006	6,442
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*41,636*	-	*40,312*	*1,325*	*53,451*	*1,000*	*46,006*	*6,442*
TOTAL	**185,243**	**41,173**	**142,275**	**1,325**	**188,280**	**24,175**	**151,193**	**8,084**

Embedded derivatives that have satisfied the conditions set forth by IAS 39 as at their issue date for separation from the host contract as at 31 December 2009 have a negative fair value of 1,042 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.1 Of which: Banking group

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	143,605	41,173	101,962	-	134,829	23,175	105,187	1,642
1.1 structured	*29,075*	*1,388*	*27,663*	-	*24,084*	*7,021*	*15,885*	*8*
1.2 other	*114,530*	*39,785*	*74,299*	-	*110,745*	*16,154*	*89,302*	*1,634*
2. other	39,870	-	38,546	1,325	52,675	1,000	45,230	6,442
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*39,870*	-	*38,546*	*1,325*	*52,675*	*1,000*	*45,230*	*6,442*
TOTAL	**183,475**	**41,173**	**140,508**	**1,325**	**187,504**	**24,175**	**150,417**	**8,084**

3.1 Of which: Insurance companies

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	2	-	1	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*2*	-	*1*	-	-	-	-	-
2. other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**2**	**-**	**1**	**-**	**-**	**-**	**-**	**-**

3.1 Of which: Other companies

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. other	1,766	-	1,766	-	776	-	776	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*1,766*	-	*1,766*	-	*776*	-	*776*	-
TOTAL	**1,766**	**-**	**1,766**	**-**	**776**	**-**	**776**	**-**

3.2 Breakdown of caption 30 "Securities issued": subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. The amount of subordinated securities included under "Securities issued" totalled 22,875 million euro.

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

(millions of euro)

	31.12.2009	31.12.2008
1. Securities with specific fair value hedges	**107,212**	**70,646**
a) Interest rate risk	104,655	67,388
b) Foreign exchange risk	-	-
c) Various risks	2,557	3,258
2. Securities with specific cash flow hedges	**1,309**	**1,668**
a) Interest rate risk	1,309	1,668
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**108,521**	**72,314**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**2,307**	**2,300**	**7**	**-**	**2,307**	**1,632**	**1,750**	**5**	**-**	**1,755**
2. Due to customers	**92**	**94**	**-**	**-**	**94**	**5**	**6**	**-**	**-**	**6**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**2,399**	**2,394**	**7**	**-**	**2,401**	**1,637**	**1,756**	**5**	**-**	**1,761**
B. DERIVATIVES										
1. Financial derivatives	**X**	**484**	**36,630**	**15**	**X**	**X**	**1,218**	**37,775**	**16**	**X**
1.1 Trading	X	484	35,589	15	X	X	1,218	36,880	16	X
1.2 Fair value option	X	-	8	-	X	X	-	33	-	X
1.3 Other	X	-	1,033	-	X	X	-	862	-	X
2. Credit derivatives	**X**	**-**	**2,261**	**458**	**X**	**X**	**-**	**4,198**	**902**	**X**
2.1 Trading	X	-	2,261	458	X	X	-	4,198	902	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**484**	**38,891**	**473**	**X**	**X**	**1,218**	**41,973**	**918**	**X**
TOTAL (A+B)	**X**	**2,878**	**38,898**	**473**	**X**	**X**	**2,974**	**41,978**	**918**	**X**

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

4.1 Of which: Banking group

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**2,307**	**2,300**	**7**	**-**	**2,307**	**1,632**	**1,750**	**5**	**-**	**1,755**
2. Due to customers	**92**	**94**	**-**	**-**	**94**	**5**	**6**	**-**	**-**	**6**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**2,399**	**2,394**	**7**	**-**	**2,401**	**1,637**	**1,756**	**5**	**-**	**1,761**
B. DERIVATIVES										
1. Financial derivatives	**X**	**481**	**36,585**	**15**	**X**	**X**	**1,218**	**37,651**	**16**	**X**
1.1 Trading	X	481	35,573	15	X	X	1,218	36,814	16	X
1.2 Fair value option	X	-	-	-	X	X	-	8	-	X
1.3 Other	X	-	1,012	-	X	X	-	829	-	X
2. Credit derivatives	**X**	**-**	**2,261**	**458**	**X**	**X**	**-**	**4,198**	**902**	**X**
2.1 Trading	X	-	2,261	458	X	X	-	4,198	902	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**481**	**38,846**	**473**	**X**	**X**	**1,218**	**41,849**	**918**	**X**
TOTAL (A+B)	**X**	**2,875**	**38,853**	**473**	**X**	**X**	**2,974**	**41,854**	**918**	**X**

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

A.1 "Due to banks" and A."2 Due to customers" include short selling related to "repurchase agreements"

4.1 Of which: Insurance companies

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVES										
1. Financial derivatives	**X**	**3**	**45**	**-**	**X**	**X**	**-**	**124**	**-**	**X**
1.1 Trading	X	3	16	-	X	X	-	66	-	X
1.2 Fair value option	X	-	8	-	X	X	-	25	-	X
1.3 Other	X	-	21	-	X	X	-	33	-	X
2. Credit derivatives	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**-**	**-**	**X**
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**3**	**45**	**-**	**X**	**X**	**-**	**124**	**-**	**X**
TOTAL (A+B)	**X**	**3**	**45**	**-**	**X**	**X**	**-**	**124**	**-**	**X**

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

4.2 Breakdown of caption 40 "Financial liabilities held for trading": subordinated liabilities

There are no subordinated liabilities classified under "Financial liabilities held for trading" as at 31 December 2009.

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

As at 31 December 2009, the Group has structured debts of 35 million euro classified under "Financial liabilities held for trading".

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

"Financial cash liabilities" is exclusively made up of short positions.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

5.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	X	-	-	-	-	X
1.2 other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	22,662	464	22,198	-	22,635	21,241	-	21,241	-	21,241
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	*22,662*	*464*	*22,198*	-	X	*21,241*	-	*21,241*	-	X
3. Debt securities	3,288	-	3,225	-	3,353	4,111	-	3,878	-	4,024
3.1 structured	*3,288*	-	*3,225*	-	X	*4,111*	-	*3,878*	-	X
3.2 other	-	-	-	-	X	-	-	-	-	X
TOTAL	**25,950**	**464**	**25,423**	**-**	**25,988**	**25,352**	**-**	**25,119**	**-**	**25,265**

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

5.1 Of which: Banking group

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	X	-	-	-	-	X
1.2 other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	3,288	-	3,225	-	3,353	4,111	-	3,878	-	4,024
3.1 structured	*3,288*	-	*3,225*	-	X	*4,111*	-	*3,878*	-	X
3.2 other	-	-	-	-	X	-	-	-	-	X
TOTAL	**3,288**	**-**	**3,225**	**-**	**3,353**	**4,111**	**-**	**3,878**	**-**	**4,024**

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

5.1 Of which: Insurance companies

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	X	-	-	-	-	X
1.2 other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	22,662	464	22,198	-	22,635	21,241	-	21,241	-	21,241
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	*22,662*	*464*	*22,198*	-	X	*21,241*	-	*21,241*	-	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	X	-	-	-	-	X
3.2 other	-	-	-	-	X	-	-	-	-	X
TOTAL	**22,662**	**464**	**22,198**	**-**	**22,635**	**21,241**	**-**	**21,241**	**-**	**21,241**

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

Liabilities designated at fair value as at 31 December 2009 included amounts collected by the Group's insurance companies through the issuing of mainly financial policies against investments where the risks are borne wholly by subscribers.

5.2 Breakdown of caption 50 "Financial liabilities designated at fair value": subordinated liabilities

As at 31 December 2009, there are no subordinated liabilities classified under "Financial liabilities designated at fair value".

5.3 Financial liabilities designated at fair value: annual changes

(millions of euro)

	Due to banks	Due to customers	Debt securities	Total
A. Initial amount	**-**	**21,241**	**3,878**	**25,119**
B. Increases	**-**	**3,004**	**566**	**3,570**
B.1 issues	-	308	-	**308**
B.2 sales	-	346	342	**688**
of which business combinations	-	-	-	-
B.3 positive fair value differences	-	1,818	224	**2,042**
B.4 other changes	-	532	-	**532**
C. Decreases	**-**	**-1,583**	**-1,219**	**-2,802**
C.1 purchases	-	-	-762	**-762**
C.2 reimbursements	-	-1,054	-447	**-1,501**
C.3 negative fair value differences	-	-	-10	**-10**
C.4 other changes	-	-529	-	**-529**
D. Final amount	**-**	**22,662**	**3,225**	**25,887**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

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

(millions of euro)

	Fair value 31.12.2009			Notional value	Fair value 31.12.2008			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**5,179**	**-**	**79,859**	**-**	**5,084**	**2**	**70,638**
1. Fair value	-	4,439	-	70,724	-	4,517	2	66,233
2. Cash flows	-	740	-	9,135	-	567	-	4,405
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**5,179**	**-**	**79,859**	**-**	**5,084**	**2**	**70,638**

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	Fair value						Cash flow		Foreign investm.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	877	-	-	-	-	X	-	X	X
2. Loans	1,824	-	-	X	34	X	18	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	32	X	-	X
5. Other transactions	2	-	-	-	-	X	-	X	-
Total assets	**2,703**	**-**	**-**	**-**	**34**	**32**	**18**	**-**	**-**
1. Financial liabilities	1,169	-	-	X	481	X	2	X	X
2. Portfolio	X	X	X	X	X	20	X	720	X
Total liabilities	**1,169**	**-**	**-**	**-**	**481**	**20**	**2**	**720**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

6.2 Of which: Banking group

(millions of euro)

Operations/Type of hedge	Fair value						Cash flow		Foreign investm.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	776	-	-	-	-	X	-	X	X
2. Loans	1,824	-	-	X	34	X	18	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	32	X	-	X
5. Other transactions	2	-	-	-	-	X	-	X	-
Total assets	**2,602**	**-**	**-**	**-**	**34**	**32**	**18**	**-**	**-**
1. Financial liabilities	1,169	-	-	X	481	X	2	X	X
2. Portfolio	X	X	X	X	X	20	X	720	X
Total liabilities	**1,169**	**-**	**-**	**-**	**481**	**20**	**2**	**720**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans and financial assets available for sale. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

6.2 Of which: Insurance companies

(millions of euro)

Operations/Type of hedge	Fair value						Cash flow		Foreign investm.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	101	-	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**101**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS –CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios

(millions of euro)

	31.12.2009	*Of which:*			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,655	*1,655*	-	-	***1,267***
2. Negative fair value change of financial liabilities	-142	*-142*	-	-	***-31***
TOTAL	**1,513**	*1,513*	-	-	***1,236***

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

(millions of euro)

	31.12.2009	31.12.2008
1. Debts	-	-
2. Portfolio	33,923	37,235
TOTAL	**33,923**	**37,235**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 14 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on this section, see Section 15 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(millions of euro)

	31.12.2009	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,454	*1,442*	*10*	*2*
Amounts due to third parties	3,399	*3,399*	-	-
Transit items	366	*366*	-	-
Adjustments for portfolio items to be settled	544	*544*	-	-
Amounts to be credited and items under processing	3,426	*3,426*	-	-
Personnel charges	1,025	*1,024*	*1*	-
Due to social security entities	121	*121*	-	-
Guarantees given and commitments	404	*404*	-	-
Other items relating to insurance business	1,076	-	*1,076*	-
Due to tax authorities	552	*449*	*103*	-
Other	3,388	*3,383*	*5*	-
TOTAL 31.12.2009	**15,755**	*14,558*	*1,195*	*2*
TOTAL 31.12.2008	**20,046**	*18,778*	*747*	*521*

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,487**	*1,483*	*4*	-	**1,488**
B. Increases	**385**	*384*	*1*	-	**347**
B.1 Provisions in the year	63	*62*	*1*	-	72
B.2 Other	322	*322*	-	-	275
of which business combinations	-	-	-	-	155
C. Decreases	**-498**	*-497*	*-1*	-	**-348**
C.1 Benefits paid	-147	*-147*	-	-	-188
C.2 Other	-351	*-350*	*-1*	-	-160
of which business combinations	-	-	-	-	-
D. Final amount	**1,374**	*1,370*	*4*	-	**1,487**

C.1 refers to benefits paid as at 31 December 2009.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,405 million euro at the end of 2009, while at the end of 2008 it amounted to 1,468 million euro.
Actuarial gains not recognised in the income statement in 2009, in application of the "corridor approach", totalled 4 million euro and actuarial losses amounted to 35 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2009	Of which:			31.12.2008
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**512**	*512*	-	-	**504**
2. Other allowances for risks and charges	**2,908**	*2,899*	*9*	-	**3,478**
2.1 Legal disputes	1,201	*1,200*	*1*	-	1,294
2.2 Personnel charges	742	*737*	*5*	-	1,195
2.3 Other	965	*962*	*3*	-	989
TOTAL	**3,420**	*3,411*	*9*	-	**3,982**

1 – "Post employment benefits" include both allowances for defined benefit plans, illustrated in point 12.3 below, and "internal" allowances for defined contribution plans.
The contents of 2 – "Other allowances for risks and charges" are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	Total		Of which:					
			Banking group		*Insurance companies*		*Other companies*	
	Post employment benefits	**Other allowances**	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*
A. Initial amount	**504**	**3,478**	*504*	*3,466*	-	*12*	-	-
B. Increases	**135**	**768**	*135*	*762*	-	*6*	-	-
B.1 Provisions in the year	70	415	*70*	*409*	-	*6*	-	-
B.2 Time value changes	15	64	*15*	*64*	-	-	-	-
B.3 Changes due to discount rate variations	-	24	-	*24*	-	-	-	-
B.4 Other	50	265	*50*	*265*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C. Decreases	**-127**	**-1,338**	*-127*	*-1,329*	-	*-9*	-	-
C.1 Uses in the year	-97	-638	*-97*	*-630*	-	*-8*	-	-
C.2 Changes due to discount rate variations	-	-	-	-	-	-	-	-
C.3 Other	-30	-700	*-30*	*-699*	-	*-1*	-	-
of which business combinations	-	-	-	-	-	-	-	-
D. Final amount	**512**	**2,908**	*512*	*2,899*	-	*9*	-	-

As at 31 December 2009 the variations due to changes in the discounting rate totalled 24 million euro, of which 15 million euro attributable to the Parent company.

12.3 Post employment defined benefit plans

1. Illustration of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is jointly responsible, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:
- supplementary pension fund for tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- supplementary pension fund for employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993,

with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider whether or not the employee accumulated 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trades Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits), a lump sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trades Unions also provides for a process – still to be activated – destined for proposal to pensioners, exceptionally involving one-off payments to liquidate their pension position;

– supplementary pension fund for the top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of the top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation;
– three defined benefit plans in force at the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
– a defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service;
– funds recognised by Casse del Centro operating as a defined benefit for both employees in service as well as retired employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant.
– supplementary pension fund for employees of Cassa di Risparmio di Firenze – ordinary section: the fund operates as a defined benefit for personnel recruited up to 31 December 1990, as well as personnel recruited from 1 January 1991 to 28 April 1993, which receive additional income and an integrated state pension. Activities related to the trade union agreements stipulated in 2009 are underway;
– supplementary pension fund of Cassa di Risparmio di Mirandola: the fund is recognised by Cassa di Risparmio di Firenze and is a result of the incorporation of Cassa di Risparmio di Mirandola, which took place in 2006;
– supplementary pension fund of Cassa di Risparmio di Pistoia e Pescia: established in 1971 to integrate the disability and seniority pensions paid by INPS;
– supplementary pension fund of Cassa di Risparmio di Civitavecchia: the fund operates as a defined benefit exclusively for employees who retired prior to 30 June 1999;
– supplementary pension fund of Cassa di Risparmio di La Spezia: established in 1954, the fund operates as a defined benefit exclusively on behalf of retired employees, with the objective of providing supplementary pension benefits to participants of the plan, in addition to the state pension;
– post-retirement medical plan and other benefits for employees of Bank of Alexandria: defined benefit plans providing health coverage and other benefits to its employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits.

External funds include:

– supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status and full economic independence and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "Cassa" to beneficiaries, pensioners and third parties;
– complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il

Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the fund's commitments to employees enrolled in the plan and other beneficiaries from former Banco di Napoli; to retired employees receiving Supplementary Pension Cheques, formerly the Sanpaolo IMI internal fund; to the employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of the Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; and the current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30 June 2006; to the employees of the Cassa di Risparmio di Udine e Pordenone formerly enrolled in the Complementary pension fund of the Cassa, transferred to the fund during 2006; to the employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said Cassa, transferred to the mentioned fund as at 1 January 2007; and retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 1 January 2008;

– pension fund for employees of former Crediop hired before 30 September 1989, a fund with legal status and full economic independence. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "fund" with its employees in service and retired, transferred from former Crediop;
– pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
– pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed. Cassa di Risparmio di Padova e Rovigo does not pay any contributions but has made the commitment that it will cover any technical imbalance, emerging from an ad hoc expert opinion issued by an actuary;
– pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund.

2. Changes in the year of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined via the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Furthermore, actuarial gains and losses calculated in the process of valuation of the plan are recorded using the "corridor approach".

Other increases in the external plans mainly regard the "contracted-out" Fund of Cassa di Risparmio di Firenze.

(millions of euro)

Defined benefit obligations	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,468**	**387**	**2,632**	**1,490**	**338**	**2,590**
Current service costs	2	2	20	3	3	18
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	61	22	143	72	12	125
Recognised actuarial losses	-	1	-	-	-	-
Unrecognised actuarial losses	51	29	140	10	80	16
Positive exchange differences	-	3	-	-	1	-
Increases - business combinations	-	-	-	155	133	-
Participants' contributions	-	-	-	-	4	-
Recognised actuarial gains	-	-	-	-	-5	-
Unrecognised actuarial gains	-2	-25	-	-8	-15	-20
Negative exchange differences	-	-2	-	-	-17	-
Benefits paid	-147	-26	-264	-188	-29	-188
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	-	-40	-	-	-	-
Settlements of the fund	-	-	-	-	-145	-
Other increases	67	6	343	30	27	91
Other decreases	-95	-	-	-96	-	-
Final amount	**1,405**	**357**	**3,014**	**1,468**	**387**	**2,632**
Total unrecognised actuarial gains	**-2**	**-25**	**-**	**-8**	**-15**	**-20**
Total unrecognised actuarial losses	**51**	**29**	**140**	**10**	**80**	**16**

Liabilities of the defined benefit obligations pension plan	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,405	125	-	1,468	108	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	232	3,014	-	279	2,632

3. Changes in the year of plan assets and other information

The following tables show the changes in plan assets for certain defined benefit plans and their composition. Other increases in the external plans mainly regard the "contracted-out" Fund of Cassa di Risparmio di Firenze.

(millions of euro)

Plan assets	31.12.2009		31.12.2008	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**187**	**2,447**	**244**	**2,563**
Expected return	10	142	6	123
Recognised actuarial losses	-	-	-	-
Unrecognised actuarial losses	-1	-26	-15	-171
Positive exchange differences	3	-	1	-
Increases- business combinations	-	-	113	-
Employer contributions	3	-	3	-
Participants' contributions	2	-	-	-
Recognised actuarial gains	-	-	-	-
Unrecognised actuarial gains	11	55	-	-
Negative exchange differences	-	-	-14	-
Decreases - business combinations	-	-	-	-
Benefits paid	-15	-264	-15	-188
Curtailments of the fund	-	-	-135	-
Settlements of the fund	-	-	-	-
Other changes	2	504	-1	120
Final amount	**202**	**2,858**	**187**	**2,447**
Total unrecognised actuarial gains	**11**	**55**	**-**	**-**
Total unrecognised actuarial losses	**-1**	**-26**	**-15**	**-171**

(millions of euro)

	31.12.2009				31.12.2008			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and mutual equity funds	38	18.8	363	12.7	25	13.4	248	10.1
Debt securities and mutual bond investment funds	28	13.9	1,569	54.9	85	45.5	1,411	57.7
Real estate assets and equity shareholdings in real estate companies	3	1.5	661	23.1	2	1.1	495	20.2
Insurance activities	15	7.4	-	-	14	7.5	88	3.6
Other assets	118	58.4	265	9.3	61	32.5	205	8.4
TOTAL	**202**	**100.0**	**2,858**	**100.0**	**187**	**100.0**	**2,447**	**100.0**

4. Reconciliation of present value of the defined benefit obligation, present value of plan assets and assets and liabilities recognised in the balance sheet

Defined benefit plans presented the following balance sheet situation.

(millions of euro)

	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	1,405	357	3,014	1,468	387	2,632
2. Fair value of the plan assets	-	-202	-2,858	-	-187	-2,447
A. Fund status	**1,405**	**155**	**156**	**1,468**	**200**	**185**
1. Unrecognised actuarial gains (sum of cumulated gains)	4	30	1	29	40	86
2. Unrecognised actuarial losses (sum of cumulated losses)	-35	-34	-174	-10	-104	-163
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	113	-	-	100
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**-31**	**-4**	**-60**	**19**	**-64**	**23**
Recognised assets	**-**	**136**	**-**	**-**	**135**	**-**
Recognised liabilities	**1,374**	**272**	**205**	**1,487**	**271**	**208**

5. Description of the main actuarial assumptions

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

Actuarial assumptions	31.12.2009				31.12.2008			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	4.0%	X	2.5%	2.0%	4.5%	X	3.1%	2.0%
INTERNAL PLANS								
Pension fund for employees of Mediocredito Lombardo	4.6%	4.9%	-	2.0%	4.9%	4.9%	-	2.0%
Pension fund for the tax-collection employees of former Cariplo	4.3%	4.6%	-	2.0%	4.6%	4.8%	-	2.0%
Pension fund for Managers of former Comit (API)	3.9%	4.3%	-	2.0%	4.3%	4.8%	-	2.0%
London branch pension fund	5.7%	-	4.9%	3.6%	6.3%	0.0%	4.3%	3.0%
New York branch pension fund	6.3%	7.5%	3.0%	2.5%	6.3%	7.5%	3.0%	2.5%
Cassa di Risparmio di Viterbo fund	3.7%	4.1%	2.9%	2.0%	4.1%	4.9%	2.0%	2.0%
Cassa di Ascoli Piceno fund	4.8%	4.9%	2.8%	2.0%	4.8%	4.9%	2.0%	2.0%
Cassa di Città di Castello fund	4.3%	4.7%	3.2%	2.0%	4.7%	4.9%	2.0%	2.0%
Cassa di Foligno fund	4.3%	4.6%	2.4%	2.0%	4.6%	4.8%	2.0%	2.0%
Cassa di Rieti fund	4.3%	4.6%	2.8%	2.0%	4.6%	4.9%	2.0%	2.0%
Cassa di Spoleto fund	4.4%	4.8%	2.4%	2.0%	4.8%	4.9%	2.0%	2.0%
Cassa di Terni e Narni fund	3.7%	4.1%	2.9%	2.0%	4.1%	4.9%	2.0%	2.0%
Banca CR Firenze fund	4.1%	-	-	2.0%	5.0%	-	-	2.0%
Cassa di Risparmio di Pistoia e Pescia fund	4.1%	-	-	2.0%	4.5%	-	-	2.0%
Cassa di Risparmio di Civitavecchia fund	4.8%	-	-	2.0%	3.4%	-	-	2.0%
Cassa di Risparmio della Spezia fund	4.1%	-	-	2.0%	4.5%	-	-	2.0%
Medical Plan Bank of Alexandria	10.5%	-	10.0%	6.0%	11.5%	-	10.0%	6.0%
EXTERNAL PLANS								
Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino	4.9%	5.0%	1.5%	2.0%	5.0%	5.0%	1.5%	2.0%
Supplementary pension fund for Employees of Banco di Napoli - Sect. A	4.4%	4.8%	1.5%	2.0%	4.8%	4.9%	1.5%	2.0%
Pension fund for employees of former Cariplo	4.3%	4.6%	-	2.0%	4.6%	4.8%	-	2.0%
Pension fund for employees of former Crediop	4.6%	4.9%	1.5%	2.0%	4.9%	4.9%	1.5%	2.0%
Employee pension fund Cariparo-retired employees section	4.6%	4.9%	-	2.0%	4.9%	4.9%	-	2.0%
Cassa di Risparmio di Firenze "ex-exempted" pension fund	4.5%	-	-	2.5%	-	-	-	-

12.4 Allowances for risks and charges – Other allowances

Allowances for legal disputes mainly refer to provisions for litigation and other revocatory actions.

The allowance for personnel includes charges for voluntary incentive-driven exit plans and charges for seniority bonuses to employees and other charges.

Other allowances mainly include provisions for tax litigation, fraud and other litigation.

(millions of euro)

	31.12.2009	31.12.2008
2. Other allowances		
2.1 legal disputes	1,201	1,294
2.2 personnel charges	742	1,195
incentive-driven exit plans	*484*	*869*
employee seniority bonuses	*175*	*186*
other personnel expenses	*83*	*140*
2.3 other risks and charges	965	989
other indemnities due to agents of the distribution network	*187*	*144*
renegotiation of mortgage loans	*-*	*-*
customers' complaints on Cirio, Argentina and Parmalat placements	*15*	*44*
other	*763*	*801*
TOTAL	**2,908**	**3,478**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2009	31.12.2008
A. Non-life business	**236**	**-**	**236**	**201**
A.1 premiums reserves	162	-	162	135
A.2 claims reserves	70	-	70	61
A.3 other reserves	4	-	4	5
B. Life business	**18,557**	**-**	**18,557**	**15,651**
B.1 mathematical reserves	17,958	-	17,958	15,118
B.2 reserves for amounts to be disbursed	332	-	332	346
B.3 other reserves	267	-	267	187
C. Technical reserves for investment risks to be borne by the insured	**4,789**	**-**	**4,789**	**4,396**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	3,821	-	3,821	3,801
C.2 reserves from pension fund management	968	-	968	595
D. Total insurance reserves carried by reinsurers	**23,582**	**-**	**23,582**	**20,248**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2009	31.12.2008
A. Non-life business	**236**	**201**
Initial amount as at 31.12.2008	201	148
Business combinations	-	14
Changes in the reserve (+/-)	35	39
B. Life business and other technical reserves	**23,346**	**20,047**
Initial amount as at 31.12.2008	20,047	21,423
Business combinations	-	1,899
Change in premiums	6,026	1,265
Change in payments	-3,622	-4,717
Changes due to income and other bonuses recognised to insured parties (+/-)	540	364
Changes due to exchange differences (+/-)	-1	5
Changes in other technical reserves (+/-)	356	-192
C. Total technical reserves	**23,582**	**20,248**

SECTION 14 – REDEEMABLE SHARES – CAPTION 150

Not applicable to the Group.

SECTION 15 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

15.1 "Share capital" and "Treasury shares: breakdown"

For information of this section, see point 15.3 below.

15.2 Share capital – Parent company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-**	**-**
A.2 Shares outstanding: initial number	**11,849,332,367**	**932,490,561**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration	-	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other	-	-
C. Decreases	**-76,327**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other	-76,327	-
D. Shares outstanding: final number	**11,849,256,040**	**932,490,561**
D.1 Treasury shares (+)	76,327	-
D.2 Final number of shares	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not paid-in	-	-

15.3 Share capital: other information

The share capital of the Bank as at 31 December 2009 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.
Savings shares, which may be in bearer form, bestow the power to intervene and vote in the Special Meeting of savings shares holders.
Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.
In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.
As at 31 December Intesa Sanpaolo shares were held by Banca IMI (for an exchange value of 2 million euro), in relation to its trading activities, and by collective investment entities (for an exchange value of 6 million euro) owned by the Group's insurance companies and consolidated as provided for by IAS/IFRS.
At the date of these financial statements the share capital was fully paid-in and liberated.

15.4 Reserves: other information

Reserves amounted to 10,565 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves for a total of 5,038 million euro, as well as the consolidation reserve equal to 5,527 million euro.
The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves pursuant to Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.
The Group’s valuation reserves amounted to a negative 430 million euro (with 11 million euro in third-party positive reserves) and included valuation reserves of financial assets available for sale and of cash flow hedge derivatives, exchange rate valuation reserves, and legally-required revaluation reserves.

SECTION 16 - MINORITY INTERESTS – CAPTION 210

For details regarding the breakdown of minority interests, see section F, “Part B.1. Consolidated shareholders’ equity: breakdown by type of company”.

Other information

1. Guarantees and commitments

(millions of euro)

	31.12.2009	Of which: Banking group	Insurance companies	Other companies	31.12.2008
1) Financial guarantees given	**16,701**	*16,701*	-	-	**16,811**
a) Banks	1,652	*1,652*	-	-	337
b) Customers	15,049	*15,049*	-	-	16,474
2) Commercial guarantees given	**33,670**	*33,670*	-	-	**36,453**
a) Banks	3,350	*3,350*	-	-	3,524
b) Customers	30,320	*30,320*	-	-	32,929
3) Irrevocable commitments to lend funds	**50,763**	*50,763*	-	-	**51,585**
a) Banks	6,191	*6,191*	-	-	8,857
- of certain use	*4,778*	*4,778*	-	-	*6,836*
- of uncertain use	*1,413*	*1,413*	-	-	*2,021*
b) Customers	44,572	*44,572*	-	-	42,728
- of certain use	*8,561*	*8,561*	-	-	*8,947*
- of uncertain use	*36,011*	*36,011*	-	-	*33,781*
4) Underlying commitments on credit derivatives: protection sales	**82,203**	*82,203*	-	-	**74,858**
5) Assets pledged as collateral of third party commitments	**7**	*7*	-	-	**41**
6) Other commitments	**12,888**	*12,888*	-	-	**16,710**
TOTAL	**196,232**	*196,232*	-	-	**196,458**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2009	Of which: Banking group	Insurance companies	Other companies	31.12.2008
1. Financial assets held for trading	8,843	*8,843*	-	-	5,631
2. Financial assets designated at fair value through profit and loss	-	-	-	-	10
3. Financial assets available for sale	8,329	*8,329*	-	-	7,564
4. Investments held to maturity	213	*213*	-	-	835
5. Due from banks	232	*232*	-	-	3,020
6. Loans to customers	7,441	*7,441*	-	-	8,525
7. Property and equipment	163	*163*	-	-	198
TOTAL	**25,221**	*25,221*	-	-	**25,783**

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are immaterial.

4. Breakdown of investments related to unit-linked and index-linked policies

(millions of euro)

	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2009
Assets in the balance sheet	10,013	938	10,951
Intra-group assets	16,441	31	16,472
Total Assets	**26,454**	**969**	**27,423**
Financial liabilities in the balance sheet	22,103	-	22,103
Technical reserves in the balance sheet	3,821	968	4,789
Intra-group liabilities	188	-	188
Total Liabilities	**26,112**	**968**	**27,080**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2009	31.12.2008
1. Trading on behalf of customers		
a) Purchases	967,167	440,577
1. settled	*965,761*	*439,471*
2. to be settled	*1,406*	*1,106*
b) Sales	941,678	433,850
1. settled	*941,635*	*433,757*
2. to be settled	*43*	*93*
2. Portfolio management		
a) individual	65,764	59,254
b) collective	83,557	84,989
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	137,779	75,562
1. securities issued by companies included in the consolidation area	*7,675*	*402*
2. other securities	*130,104*	*75,160*
b) third party securities held in deposit (excluding portfolio management): other	651,770	590,112
1. securities issued by companies included in the consolidation area	*158,392*	*118,094*
2. other securities	*493,378*	*472,018*
c) third party securities deposited with third parties	776,743	729,893
d) portfolio securities deposited with third parties	82,338	54,003
4. Other	**121,126**	**181,976**

Caption 3. "Custody and administration of securities" also includes third party securities held in deposit for transactions referring to "the Securities Services" business line, the disposal of which is envisaged during the first half of 2010.

Note regarding financial payables

In relation to point 3: "IFRS 7 – Contractual clauses of financial payables", of Bank of Italy/CONSOB/ISVAP document no. 4 of March 2010, the following is specified:

– there were no cases of non-compliance by companies of the Intesa Sanpaolo Group with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve forfeiture of the benefit;
– companies of the Intesa Sanpaolo Group provided, for their bond issues, for medium-/long-term loans received from financial entities and for other debt contracts, negative pledges and covenants in accordance with the provisions of standard contracts and at the conditions currently in use.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2009	2008
1. Financial assets held for trading	800	1	-	801	931
2. Financial assets designated at fair value through profit and loss	134	11	-	145	143
3. Financial assets available for sale	1,013	8	-	1,021	1,412
4. Investments held to maturity	169	1	-	170	269
5. Due from banks	150	651	7	808	2,331
6. Loans to customers	583	14,512	31	15,126	22,214
7. Hedging derivatives	X	X	1,520	1,520	2
8. Other assets	X	X	16	16	81
TOTAL	**2,849**	**15,184**	**1,574**	**19,607**	**27,383**

Financial assets held for trading also includes interest income on securities relating to repurchase agreements.

1.1 of which: Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2009	2008
1. Financial assets held for trading	796	1	-	797	924
2. Financial assets designated at fair value through profit and loss	37	12	-	49	30
3. Financial assets available for sale	453	8	-	461	692
4. Investments held to maturity	169	1	-	170	269
5. Due from banks	145	650	8	803	2,329
6. Loans to customers	561	14,502	30	15,093	22,168
7. Hedging derivatives	X	X	1,520	1,520	-
8. Other assets	X	X	14	14	80
TOTAL	**2,161**	**15,174**	**1,572**	**18,907**	**26,492**

1.1 Of which: Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2009	2008
1. Financial assets held for trading	4	-	-	4	7
2. Financial assets designated at fair value through profit and loss	97	-	-	97	113
3. Financial assets available for sale	560	-	-	560	713
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	5	-	-	5	2
6. Loans to customers	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	2
8. Other assets	X	X	1	1	1
TOTAL	**666**	**-**	**1**	**667**	**838**

1.1 Of which: Other companies

(millions of euro)

	Debt securities	Loans	Other transactions	2009	2008
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	7
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	-	-	-	-
6. Loans to customers	22	10	-	32	46
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	1	1	-
TOTAL	**22**	**10**	**1**	**33**	**53**

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2009	*Of which:*			2008
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	5,236	*5,236*	-	-	7,769
B. Negative differentials on hedging transactions	-3,716	*-3,716*	-	-	-8,392
BALANCE (A - B)	**1,520**	*1,520*	-	-	**-623**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2009 includes 2,441 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

Interest income on financial leases amounted to 741 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2009	2008
1. Due to Central Banks	33	X	-	33	8
2. Due to banks	791	X	10	801	2,539
3. Due to customers	1,951	X	1	1,952	4,987
4. Securities issued	X	5,564	-	5,564	6,870
5. Financial liabilities held for trading	-	-	-	-	4
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	20	20	1
8. Hedging derivatives	X	X	-	-	625
TOTAL	**2,775**	**5,564**	**31**	**8,370**	**15,034**

Due to banks and Due to customers also include interest expense on repurchase agreements.

1.4 Of which: Banking group

(millions of euro)

	Debts	Securities	Other transactions	2009	2008
1. Due to Central Banks	33	X	-	33	8
2. Due to banks	790	X	10	800	2,535
3. Due to customers	1,951	X	1	1,952	4,987
4. Securities issued	X	5,540	-	5,540	6,850
5. Financial liabilities held for trading	-	-	-	-	4
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	9	9	-
8. Hedging derivatives	X	X	-	-	615
TOTAL	**2,774**	**5,540**	**20**	**8,334**	**14,999**

1.4 Of which: Insurance companies

(millions of euro)

	Debts	Securities	Other transactions	2009	2008
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	1	X	-	1	3
3. Due to customers	-	X	-	-	-
4. Securities issued	X	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	10	10	1
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1**	**-**	**10**	**11**	**4**

1.4 Of which: Other companies

(millions of euro)

	Debts	Securities	Other transactions	2009	2008
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	-	X	-	-	1
3. Due to customers	-	X	-	-	-
4. Securities issued	X	24	-	24	20
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	1	1	-
8. Hedging derivatives	X	X	-	-	10
TOTAL	**-**	**24**	**1**	**25**	**31**

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is given in Table 1.2, since the balance is included under interest income for 2009, while for 2008 the amount was negative.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2009 included 1,678 million euro relating to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

The amount of interest expense on financial lease payables was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2009	Of which:			2008
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	**338**	*338*	-	-	**302**
B) Credit derivatives	**-**	-	-	-	**1**
C) Management, dealing and consultancy services	**2,419**	*2,416*	-	*3*	**2,801**
1. trading in financial instruments	77	*77*	-	-	71
2. currency dealing	55	*55*	-	-	69
3. portfolio management	1,381	*1,381*	-	-	1,669
3.1. individual	*300*	*300*	-	-	*338*
3.2. collective	*1,081*	*1,081*	-	-	*1,331*
4. custody and administration of securities	72	*72*	-	-	76
5. depositary bank	11	*11*	-	-	11
6. placement of securities	259	*259*	-	-	309
7. reception and transmission of orders	187	*187*	-	-	182
8. consultancy services	70	*70*	-	-	33
8.1. on investments	8	*8*	-	-	1
8.2. on financial structure	62	*62*	-	-	32
9. distribution of third party services	307	*304*	-	*3*	381
9.1. portfolio management	*58*	*58*	-	-	*77*
9.1.1. individual	*6*	*6*	-	-	*18*
9.1.2. collective	*52*	*52*	-	-	*59*
9.2. insurance products	*244*	*241*	-	*3*	*301*
9.3. other products	*5*	*5*	-	-	*3*
D) Collection and payment services	**451**	*451*	-	-	**494**
E) Servicing related to securitisations	**11**	*11*	-	-	**11**
F) Services related to factoring	**106**	*106*	-	-	**103**
G) Tax collection services	**-**	-	-	-	**-**
H) Management of multilateral trading facilities	**-**	-	-	-	**-**
I) Management of current accounts	**917**	*917*	-	-	**894**
J) Other services	**1,899**	*1,561*	*336*	*2*	**1,937**
TOTAL	**6,141**	*5,800*	*336*	*5*	**6,543**

"J - Other services" mostly recorded fees on credit and debit cards of 641 million euro as well as commissions on loans of 679 million euro.

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

(millions of euro)

	2009	2008
A) Group branches	**1,436**	**1,768**
1. portfolio management	963	1,205
2. placement of securities	244	275
3. third party services and products	229	288
B) "Door-to-door" sales	**474**	**530**
1. portfolio management	405	446
2. placement of securities	12	8
3. third party services and products	57	76
C) Other distribution channels	**34**	**59**
1. portfolio management	13	18
2. placement of securities	3	26
3. third party services and products	18	15

2.3 Fee and commission expense: breakdown

(millions of euro)

	2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2008
A) Guarantees received	**39**	*39*	-	-	**40**
B) Credit derivatives	**9**	*9*	-	-	**3**
C) Management, dealing and consultancy services	**561**	*559*	*2*	-	**598**
1. trading in financial instruments	35	*35*	-	-	33
2. currency dealing	2	*2*	-	-	2
3. portfolio management:	85	*83*	*2*	-	104
3.1 own portfolio	*83*	*83*	-	-	-
3.2 third party portfolio	*2*	-	*2*	-	*104*
4. custody and administration of securities	36	*36*	-	-	49
5. placement of financial instruments	53	*53*	-	-	36
6. "door-to-door" sale of financial instruments, products and services	350	*350*	-	-	374
D) Collection and payment services	**120**	*120*	-	-	**129**
E) Other services	**457**	*310*	*143*	*4*	**446**
TOTAL	**1,186**	***1,037***	***145***	***4***	**1,216**

"E – Other services" includes 198 million euro of fees on credit and debit cards.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2009		Of which: Banking group		Of which: Insurance companies		Of which: Other companies		2008	
	Dividends	**Income from quotas of UCI**	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	**Dividends**	**Income from quotas of UCI**
A. Financial assets held for trading	326	4	326	3	-	1	-	-	408	20
B. Financial assets available for sale	76	2	*38*	*1*	*38*	*1*	-	-	173	12
C. Financial assets designated at fair value through profit and loss	44	2	*1*	-	*43*	*2*	-	-	56	11
D. Investments in associates and companies subject to joint control	25	X	*25*	*X*	-	*X*	-	*X*	24	X
TOTAL	**471**	**8**	*390*	*4*	*81*	*4*	-	-	**661**	**43**

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**606**	**1,620**	**-246**	**-1,292**	**688**
1.1 Debt securities	383	1,122	-174	-800	531
1.2 Equities	18	215	-17	-287	-71
1.3 Quotas of UCI	205	133	-50	-62	226
1.4 Loans	-	-	-	-	-
1.5 Other	-	150	-5	-143	2
2. Financial liabilities held for trading	**29**	**311**	**-33**	**-344**	**-37**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	29	311	-33	-344	-37
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**162**
4. Derivatives	**12,887**	**42,732**	**-14,441**	**-41,414**	**42**
4.1 Financial derivatives	7,186	41,099	-9,006	-39,295	262
- on debt securities and interest rates	*5,610*	*37,218*	*-6,476*	*-35,999*	*353*
- on equities and stock indexes	*1,496*	*3,630*	*-2,394*	*-3,103*	*-371*
- on currencies and gold	*X*	*X*	*X*	*X*	*278*
- other	*80*	*251*	*-136*	*-193*	*2*
4.2 Credit derivatives	5,701	1,633	-5,435	-2,119	-220
TOTAL	**13,522**	**44,663**	**-14,720**	**-43,050**	**855**

For detailed information on structured financial products and their impact on the income statement, please refer to Part E of these Notes to the Consolidated financial statements - Information on risks and relative hedging policies.

4.1 Of which: Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**577**	**1,606**	**-241**	**-1,288**	**654**
1.1 Debt securities	370	1,115	-169	-800	516
1.2 Equities	18	215	-17	-283	-67
1.3 Quotas of UCI	189	126	-50	-62	203
1.4 Loans	-	-	-	-	-
1.5 Other	-	150	-5	-143	2
2. Financial liabilities held for trading	**29**	**311**	**-33**	**-344**	**-37**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	29	311	-33	-344	-37
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**162**
4. Derivatives	**12,882**	**42,729**	**-14,432**	**-41,412**	**45**
4.1 Financial derivatives	7,181	41,096	-8,997	-39,293	265
- on debt securities and interest rates	*5,607*	*37,218*	*-6,469*	*-35,999*	*357*
- on equities and stock indexes	*1,494*	*3,627*	*-2,392*	*-3,101*	*-372*
- on currencies and gold	*X*	*X*	*X*	*X*	*278*
- other	*80*	*251*	*-136*	*-193*	*2*
4.2 Credit derivatives	5,701	1,633	-5,435	-2,119	-220
TOTAL	**13,488**	**44,646**	**-14,706**	**-43,044**	**824**

4.1 Of which: Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**29**	**14**	**-5**	**-4**	**34**
1.1 Debt securities	13	7	-5	-	15
1.2 Equities	-	-	-	-4	-4
1.3 Quotas of UCI	16	7	-	-	23
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-1**
4. Derivatives	**4**	**3**	**-9**	**-2**	**-4**
4.1 Financial derivatives	4	3	-9	-2	-4
- on debt securities and interest rates	*2*	*-*	*-7*	*-*	*-5*
- on equities and stock indexes	*2*	*3*	*-2*	*-2*	*1*
- on currencies and gold	*X*	*X*	*X*	*X*	*-*
- other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**33**	**17**	**-14**	**-6**	**29**

4.1 Of which: Other companies

Net result pertaining to other companies was immaterial (2 million euro in 2009).

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

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2009	*Of which:*			**2008**
		Banking group	*Insurance companies*	*Other companies*	
A. Income from					
A.1 fair value hedge derivatives	2,716	*2,676*	*40*	*-*	6,963
A.2 financial assets hedged (fair value)	804	*795*	*9*	*-*	3,889
A.3 financial liabilities hedged (fair value)	3,611	*3,611*	*-*	*-*	145
A.4 cash flow hedge: derivatives	10	*7*	*3*	*-*	-
A.5 currency assets and liabilities	91	*91*	*-*	*-*	-
Total income from hedging (A)	**7,232**	*7,180*	*52*	*-*	**10,997**
B. Expenses for					
B.1 fair value hedge derivatives	-2,032	*-2,032*	*-*	*-*	-5,919
B.2 financial assets hedged (fair value)	-806	*-769*	*-36*	*-1*	-617
B.3 financial liabilities hedged (fair value)	-4,351	*-4,351*	*-*	*-*	-4,599
B.4 cash flow hedge: derivatives	-10	*-3*	*-7*	*-*	-
B.5 currency assets and liabilities	-74	*-74*	*-*	*-*	-5
Total expense from hedging (B)	**-7,273**	*-7,229*	*-43*	*-1*	**-11,140**
C. Fair value adjustments in hedge accounting (A - B)	**-41**	*-49*	*9*	*-1*	**-143**

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

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2009			2008		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	1	-3	-2
2. Loans to customers	31	-47	-16	71	-119	-48
3. Financial assets available for sale	566	-246	320	318	-238	80
3.1 Debt securities	*369*	*-131*	*238*	*123*	*-117*	*6*
3.2 Equities	*191*	*-114*	*77*	*168*	*-107*	*61*
3.3 Quotas of UCI	*6*	*-1*	*5*	*27*	*-14*	*13*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**597**	**-293**	**304**	**390**	**-360**	**30**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	25	-13	12	21	-5	16
Total liabilities	**25**	**-13**	**12**	**21**	**-5**	**16**

6.1 Of which: Banking group

(millions of euro)

	2009			2008		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	1	-3	-2
2. Loans to customers	31	-47	-16	71	-119	-48
3. Financial assets available for sale	279	-42	237	212	-47	165
3.1 Debt securities	*115*	*-39*	*76*	*24*	*-35*	*-11*
3.2 Equities	*159*	*-3*	*156*	*163*	-	*163*
3.3 Quotas of UCI	*5*	-	*5*	*25*	*-12*	*13*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**310**	**-89**	**221**	**284**	**-169**	**115**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	25	-13	12	21	-5	16
Total liabilities	**25**	**-13**	**12**	**21**	**-5**	**16**

6.1 Of which: Insurance companies

(millions of euro)

	2009			2008		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	287	-204	83	106	-191	-85
3.1 Debt securities	*254*	*-92*	*162*	*99*	*-82*	*17*
3.2 Equities	*32*	*-111*	*-79*	*5*	*-107*	*-102*
3.3 Quotas of UCI	*1*	*-1*	*-*	*2*	*-2*	*-*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**287**	**-204**	**83**	**106**	**-191**	**-85**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**2,323**	**838**	**-188**	**-773**	**2,200**
1.1 Debt securities	903	470	-141	-128	1,104
1.2 Equities	792	213	-41	-471	493
1.3 Quotas of UCI	628	138	-6	-171	589
1.4 Loans	-	17	-	-3	14
2. Financial liabilities	**10**	**7**	**-2,065**	**-124**	**-2,172**
2.1 Debt securities	10	7	-224	-47	-254
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-1,841	-77	-1,918
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**33**	**69**	**-2**	**-47**	**53**
TOTAL	**2,366**	**914**	**-2,255**	**-944**	**81**

7.1 Of which: Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**89**	**10**	**-58**	**-1**	**40**
1.1 Debt securities	60	8	-57	-1	10
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	29	2	-1	-	30
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**10**	**7**	**-224**	**-47**	**-254**
2.1 Debt securities	10	7	-224	-47	-254
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**3**	**-**	**-**	**-**	**3**
TOTAL	**102**	**17**	**-282**	**-48**	**-211**

7.1 Of which: Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**2,234**	**828**	**-130**	**-772**	**2,160**
1.1 Debt securities	843	462	-84	-127	1,094
1.2 Equities	792	213	-41	-471	493
1.3 Quotas of UCI	599	136	-5	-171	559
1.4 Loans	-	17	-	-3	14
2. Financial liabilities	**-**	**-**	**-1,841**	**-77**	**-1,918**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-1,841	-77	-1,918
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives (*)	**30**	**69**	**-2**	**-47**	**50**
TOTAL	**2,264**	**897**	**-1,973**	**-896**	**292**

(*) Revaluations include 6 million euro relating to currencies and gold.

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-9	-15	-	1	-	4	-19	-64
- Loans	-	*-9*	*-12*	-	*1*	-	*4*	*-16*	*-64*
- Debt securities	-	-	*-3*	-	-	-	-	*-3*	-
B. Loans to customers	-240	-4,573	-418	244	1,231	8	319	-3,429	-2,369
- Loans	*-240*	*-4,573*	*-405*	*244*	*1,231*	*8*	*316*	*-3,419*	*-2,368*
- Debt securities	-	-	*-13*	-	-	-	*3*	*-10*	*-1*
C. Total	**-240**	**-4,582**	**-433**	**244**	**1,232**	**8**	**323**	**-3,448**	**-2,433**

8.1 Of which: Banking group

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-9	-15	-	1	-	4	-19	-64
- Loans	-	*-9*	*-12*	-	*1*	-	*4*	*-16*	*-64*
- Debt securities	-	-	*-3*	-	-	-	-	*-3*	-
B. Loans to customers	-240	-4,567	-417	244	1,231	8	319	-3,422	-2,333
- Loans	*-240*	*-4,567*	*-404*	*244*	*1,231*	*8*	*316*	*-3,412*	*-2,332*
- Debt securities	-	-	*-13*	-	-	-	*3*	*-10*	*-1*
C. Total	**-240**	**-4,576**	**-432**	**244**	**1,232**	**8**	**323**	**-3,441**	**-2,397**

8.1 Of which: Other companies

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	-	-6	-1	-	-	-	-	-7	-36
- Loans	-	*-6*	*-1*	-	-	-	-	*-7*	*-36*
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**-6**	**-1**	**-**	**-**	**-**	**-**	**-7**	**-36**

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

(millions of euro)

	Impairment losses		Recoveries		2009	2008
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-7	-	-	-7	-50
B. Equities	-	-227	X	X	-227	-909
C. Quotas of UCI	-	-22	X	-	-22	-4
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-256**	**-**	**-**	**-256**	**-963**

8.2 Of which: Banking group

(millions of euro)

	Impairment losses		Recoveries		2009	2008
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-5	-	-	-5	-25
B. Equities	-	-149	X	X	-149	-787
C. Quotas of UCI	-	-14	X	-	-14	-1
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-168**	**-**	**-**	**-168**	**-813**

8.2 Of which: Insurance companies

(millions of euro)

	Impairment losses		Recoveries		2009	2008
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-2	-	-	-2	-25
B. Equities	-	-78	X	X	-78	-122
C. Quotas of UCI	-	-8	X	-	-8	-3
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-88**	**-**	**-**	**-88**	**-150**

8.3 Net impairment losses on investments held to maturity: breakdown

No net impairment losses on investments held to maturity were recognised as at 31 December 2009.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-45	-35	-	23	-	51	-6	117
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-25	-13	-	26	-	17	5	1
D. Other operations	-	-7	-4	-	5	-	-	-6	8
E. Total	**-**	**-77**	**-52**	**-**	**54**	**-**	**68**	**-7**	**126**

8.4 Of which: Banking group

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-45	-35	-	23	-	51	-6	117
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-25	-13	-	26	-	17	5	1
D. Other operations	-	-7	-4	-	5	-	-	-6	-6
E. Total	**-**	**-77**	**-52**	**-**	**54**	**-**	**68**	**-7**	**112**

8.4 Of which: Insurance companies

No amounts pertaining to insurance companies were recorded as at 31 December 2009 (31 December 2008: 17 million euro).

8.4 Of which: Other companies

No amounts pertaining to other companies were recorded as at 31 December 2009 (31 December 2008: -3 million euro).

SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

9.1 Net insurance premiums: breakdown

(millions of euro)

Premiums deriving from insurance business	Direct work	Indirect work	2009	2008
A. Life business				
A.1 Gross accounted premiums (+)	6,439	-	6,439	1,622
A.2 Premiums ceded for reinsurance (-)	-6	X	-6	-4
A.3 Total	**6,433**	**-**	**6,433**	**1,618**
B. Non-life business				
B.1 Gross accounted premiums (+)	192	-	192	192
B.2 Premiums ceded for reinsurance (-)	-19	X	-19	-17
B.3 Changes in the gross amount of premium reserve (+/-)	-28	-	-28	-24
B.4 Changes in premium reserves reassured with third parties (-/+)	1	-	1	4
B.5 Total	**146**	**-**	**146**	**155**
3. Total net premiums	**6,579**	**-**	**6,579**	**1,773**

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

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2009	2008
1. Net change in technical reserves	-3,165	3,337
2. Claims accrued and paid during the year	-3,779	-4,882
3. Other income/expenses arising from insurance business	-307	-30
TOTAL	**-7,251**	**-1,575**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2009	2008
1. Life business		
A. Mathematical reserves	-2,814	2,802
A.1 Gross annual amount	*-2,815*	*2,801*
A.2 Amount reinsured with third parties (-)	*1*	*1*
B. Other technical reserves	2	52
B.1 Gross annual amount	*2*	*52*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	-353	483
C.1 Gross annual amount	*-353*	*483*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**-3,165**	**3,337**
2. Non-life business	**-**	**-**
Changes in other technical reserves of non-life business other than claims fund, net of ceded reinsurance	-	-

10.3 Breakdown of Claims accrued and paid during the year

(millions of euro)

Charges associated to claims	2009	2008
Life business: charges associated to claims, net of reinsurance ceded	**-3,737**	**-4,845**
A. Amounts paid	-3,743	-4,939
A.1 Gross annual amount	*-3,745*	*-4,941*
A.2 Amount reinsured with third parties (-)	*2*	*2*
B. Change in funds for amounts to be disbursed	6	94
B.1 Gross annual amount	*6*	*94*
B.2 Amount reinsured with third parties (-)	*-*	*-*
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-42**	**-37**
C. Amounts paid	-43	-26
C.1 Gross annual amount	*-43*	*-26*
C.2 Amount reinsured with third parties (-)	*-*	*-*
D. Change in recoveries net of quotas borne by reinsurers	13	2
E. Change in damage fund	-12	-13
E.1 Gross annual amount	*-9*	*-14*
E.2 Amount reinsured with third parties (-)	*-3*	*1*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2009	2008
Other income	**105**	**276**
Life business	102	273
Non-life business	3	3
Other expenses	**-412**	**-306**
Life business	-404	-282
Non-life business	-8	-24

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2008
1) Personnel employed	**5,737**	*5,690*	*46*	*1*	**6,298**
a) wages and salaries	3,958	*3,926*	*31*	*1*	3,989
b) social security charges	1,025	*1,017*	*8*	-	1,011
c) termination indemnities	131	*131*	-	-	140
d) supplementary benefits	5	*5*	-	-	5
e) provisions for termination indemnities	63	*62*	*1*	-	72
f) provisions for post employment benefits	85	*85*	-	-	100
- defined contribution plans	*13*	*13*	-	-	*11*
- defined benefit plans	*72*	*72*	-	-	*89*
g) payments to external pension funds	217	*215*	*2*	-	224
- defined contribution plans	*213*	*211*	*2*	-	*221*
- defined benefit plans	*4*	*4*	-	-	*3*
h) costs from share based payments	-	-	-	-	-27
i) other benefits in favour of employees	253	*249*	*4*	-	784
2) Other non-retired personnel	**15**	*14*	*1*	-	**23**
3) Directors and statutory auditors	**36**	*34*	*2*	-	**37**
4) Early retirement costs	**-**	-	-	-	**-**
TOTAL	**5,788**	*5,738*	*49*	*1*	**6,358**

It should be specified that caption 3) "Directors and Statutory Auditors" includes compensation to members of the Supervisory and Management Boards of the Parent company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

11.2 Average number of employees by category

	2009	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2008
Personnel employed	**106,699**	*106,137*	*562*	-	**111,810**
a) managers	1,752	*1,723*	*29*	-	1,781
b) total officers	32,910	*32,741*	*169*	-	33,150
c) other employees	72,037	*71,673*	*364*	-	76,879
Other personnel	**465**	*435*	*30*	-	**464**
TOTAL	**107,164**	*106,572*	*592*	-	**112,274**

11.3 Post employment defined benefit plans: total expense

(millions of euro)

	2009			2008		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-2	-2	-20	-3	-3	-18
Financial costs of determining the present value of the defined benefit obligations	-61	-22	-143	-72	-12	-125
Expected return from the fund’s assets	-	10	142	-	6	123
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	-	-	-	5	-
Actuarial losses recognised	-	-1	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	-	-	-	-	-	-
Settlement of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

This table illustrates the economic components referred to "Allowances for risks and charges - post employment benefits" recorded under liabilities line 120-a in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance as at 31 December 2009 amounted to 253 million euro, of which 78 million euro referred to charges relating to incentive-driven exit plans. The residual 175 million euro essentially referred to contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

11.5 Other administrative expenses: breakdown

(millions of euro)

	2009	2008
Expenses for maintenance of information technology and electronic equipment	696	810
Telephonic, teletransmission and transmission expenses	154	174
Information technology expenses	**850**	**984**
Rentals and service charges - real estate	450	403
Security services	75	76
Cleaning of premises	60	64
Expenses for maintenance of real estate assets	64	68
Energy costs	133	138
Property costs	6	7
Management of real estate assets	**788**	**756**
Printing, stationery and consumables expenses	60	74
Transport and related services expenses (including counting of valuables)	107	107
Information expenses	134	136
Postal and telegraphic expenses	160	170
General structure costs	**461**	**487**
Expenses for consultancy fees	262	342
Legal and judiciary expenses	194	176
Insurance premiums - banks and customers	103	111
Professional and legal expenses	**559**	**629**
Advertising and promotional expenses	**171**	**226**
Services rendered by third parties	**153**	**147**
Indirect personnel costs	**132**	**150**
Other costs	**178**	**187**
Indirect taxes and duties	**648**	**642**
Recovery of taxes and duties	**-2**	**-1**
Recovery of other expenses	**-111**	**-91**
TOTAL	**3,827**	**4,116**

Other administrative expenses in 2009 include 150 million euro merger and restructuring-related charges gross of the tax effect illustrated below.

Merger and restructuring-related charges: breakdown

(millions of euro)

	2009	2008
Personnel expenses	**111**	**570**
- expenses for incentive-driven exit plans	111	570
Other administrative expenses	**150**	**287**
- information technology expenses	102	183
- management of real estate assets	-	2
- professional and legal expenses	30	72
- advertising and promotional expenses	1	9
- services rendered by third parties	2	3
- indirect personnel costs	2	3
- other costs	13	15
Net adjustments to property, equipment and intangible assets	**56**	**62**
Net provisions for risks and charges	**3**	**-**
Tax effect	**-106**	**-262**
TOTAL	**214**	**657**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2009
Net provisions for legal disputes	-250	40	-210
Net provisions for other personnel charges	-1	4	3
Net provisions for risks and charges	-175	52	-123
TOTAL	**-426**	**96**	**-330**

The amounts listed above include a 79 million euro funds increase due to time value.

SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 200

13.1 Net adjustments to property and equipment: breakdown

(millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-408	-4	-	-412
- used in operations	*-406*	*-1*	-	*-407*
- investment	*-2*	*-3*	-	*-5*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-409**	**-4**	**-**	**-413**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-753	-18	-	-771
- internally generated	*-172*	*-14*	*-*	*-186*
- other	*-581*	*-4*	*-*	*-585*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-753**	**-18**	**-**	**-771**

For a description of the impairment testing methods for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the Consolidated financial statements.

14.1 Of which: Banking group

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-657	-18	-	-675
- internally generated	*-165*	*-14*	*-*	*-179*
- other	*-492*	*-4*	*-*	*-496*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-657**	**-18**	**-**	**-675**

14.1 Of which: Insurance companies

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-96	-	-	-96
- internally generated	*-7*	*-*	*-*	*-7*
- other	*-89*	*-*	*-*	*-89*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-96**	**-**	**-**	**-96**

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2009	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Other expenses for consumer credit and leasing transactions	56	*56*	*-*	*-*
Settlements for legal disputes	8	*8*	*-*	*-*
Amortisation of leasehold improvements	55	*55*	*-*	*-*
Contributions to National Guarantee Fund	11	*11*	*-*	*-*
Other non-recurring expenses	92	*85*	*7*	*-*
Other	102	*99*	*2*	*1*
TOTAL 31.12.2009	**324**	***314***	***9***	***1***
TOTAL 31.12.2008	**436**	***430***	***4***	***2***

15.2 Other operating income: breakdown

(millions of euro)

	2009	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Recovery of expenses	524	*523*	-	*1*
Income IT companies	27	*27*	-	-
Insurance reimbursements	1	*1*	-	-
Reimbursements for services rendered to third parties	26	*26*	-	-
Income related to consumer credit and leasing	48	*47*	-	*1*
Rentals and recovery of expenses on real estate	15	*15*	-	-
Other non-recurring income	113	*108*	*5*	-
Other	89	*84*	*5*	-
TOTAL 31.12.2009	**843**	*831*	*10*	*2*
TOTAL 31.12.2008	**1,081**	*1,052*	*27*	*2*

Other income includes 59 million euro relating to compensation for damages from the IMI/SIR settlement.
2008 amounts have been restated to include tax recoveries and taxes previously offset against administrative expenses.

SECTION 16 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 240

16.1 Profits (Losses) on investments in associates and companies subject to joint control: breakdown

(millions of euro)

	2009	Of which:			2008
		Banking group	*Insurance companies*	*Other companies*	
1) Companies subject to joint control					
A. Revenues	448	*448*	-	-	41
1. Revaluations	*166*	*166*	-	-	*41*
2. Profits on disposal	*282*	*282*	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-2	*-2*	-	-	-61
1. Write-downs	*-2*	*-2*	-	-	*-1*
2. Impairment losses	-	-	-	-	*-60*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**446**	*446*	-	-	**-20**
2) Investments in associates					
A. Revenues	195	*195*	-	-	493
1. Revaluations	*111*	*111*	-	-	*104*
2. Profits on disposal	*84*	*84*	-	-	*389*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-80	*-80*	-	-	-297
1. Write-downs	*-73*	*-73*	-	-	*-29*
2. Impairment losses	*-6*	*-6*	-	-	*-267*
3. Losses on disposal	*-1*	*-1*	-	-	*-1*
4. Other	-	-	-	-	-
Net result	**115**	*115*	-	-	**196**
TOTAL	**561**	*561*	-	-	**176**

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.
For companies subject to joint control, income of 157 million is recorded under Revaluations and relates to the residual investment held in Findomestic (currently classified as securities available for sale), following early application of IAS 27 amendments introduced by Regulation 494/2009, as illustrated in Part A – Accounting policies. For companies subject to significant influence, a positive effect of 23 million euro is recorded under Revaluations and relates to the residual interest held by the Group in the vehicle that purchased Esaote.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Not applicable to the Group.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

The results of impairment testing on goodwill recorded in the financial statements did not lead to impairment losses in 2009.

See Part A – Accounting policies for details on the means of determination of goodwill impairment.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

19.1 Profits (Losses) on disposal of investments: breakdown

	2009	*Of which:*			**2008**
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	5	5	-	-	192
- profits on disposal	*6*	*6*	-	-	*196*
- losses on disposal	*-1*	*-1*	-	-	*-4*
B. Other assets [(a)]	-	-	-	-	11
- profits on disposal	*1*	*1*	-	-	*12*
- losses on disposal	*-1*	*-1*	-	-	*-1*
Net result	**5**	*5*	-	-	**203**

[(a)] Included profits and losses on disposal of subsidiaries.

SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 290

20.1 Taxes on income from continuing operations: breakdown

(millions of euro)

	2009	*Of which:*			**2008**
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-2,417	*-2,298*	*-119*	-	-2,928
2. Changes in current taxes of previous years (+/-)	14	*13*	*1*	-	66
3. Reduction in current taxes of the year (+)	59	*59*	-	-	8
4. Changes in deferred tax assets (+/-)	182	*256*	*-74*	-	3,076
5. Changes in deferred tax liabilities (+/-)	1,476	*1,318*	*158*	-	434
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-686**	*-652*	*-34*	-	**656**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2009
Income before tax from continuing operations	3,455
Income before tax from discontinued operations	225
Theoretical taxable income	**3,680**

	Taxes	%
Theoretical taxes for the year (*)	1,189	32.3
Impact of participation exemption	-140	-3.8
Impact of lower tax rates for foreign companies	-222	-6.0
Impact of non-deductible IRAP on personnel expenses	253	6.9
Impact of non-deductible IRAP on adjustments to loans	148	4.0
Other charges and non-deductible provisions	96	2.6
Actual tax charge prior to realignment of intangible assets, employee termination indemnities and prior to recognition of deferred tax assets on past years' ISHI tax losses	**1,324**	**36.0**
of which: - taxes on income from continuing operations	**1,268**	
- taxes on income from discontinued operations	**56**	

	Taxes	%
Substitute tax on realignment of intangible assets and employee termination indemnities	549	14.9
Impact of realignment of intangible assets and employee termination indemnities	-1,086	-29.5
Recognition of deferred tax assets on past years' ISHI tax losses	-45	-1.2
Actual tax charge after realignment of intangible assets, employee termination indemnities and after recognition of deferred tax assets on past years' ISHI tax losses	**742**	**20.2**
of which: - taxes on income from continuing operations	**686**	
- taxes on income from discontinued operations	**56**	

(*) Includes the 0.9% impact of regional additions to IRAP.

Tax credits were recognised on the submission of applications for refunds of IRES for tax periods 2004 to 2007, arising from the acknowledgment of a 10% deduction of IRAP, with a positive effect of 62 million euro.

SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

21.1 Income (Loss) after tax from discontinued operations: breakdown

(millions of euro)

	2009	*Of which:*			2008
		Banking group	*Insurance companies*	*Other companies*	
1. Income	536	*536*	-	-	1,223
2. Charges	-351	*-351*	-	-	-913
3. Valuation differences on discontinued operations and related liabilities	-	-	-	-	-8
4. Profits (Losses) on disposal	40	*40*	-	-	1,373
5. Taxes and duties	-56	*-56*	-	-	-488
Income (Loss)	**169**	*169*	-	-	**1,187**

21.2 Breakdown of taxes on discontinued operations

(millions of euro)

	2009	2008
1. Current taxes (-)	-53	-161
2. Changes in deferred tax assets (+/-)	-	4
3. Changes in deferred tax liabilities (-/+)	-3	-331
4. Income taxes (-1 +/-2 +/-3)	**-56**	**-488**

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

Minority interests amounted to 133 million euro. Among the more significant elements is the contribution of minority interests of the Cassa di Risparmio di Firenze Group (74 million euro), relating, inter alia, to the transfer of the investment in Findomestic and the Privredna Banka Zagreb Group (30 million euro).

SECTION 23 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 24 – EARNINGS PER SHARE

Earnings per share

	31.12.2009		31.12.2008	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	11,845,400,241	932,340,118	11,812,160,556	932,377,916
Income attributable to the various categories of shares *(millions of euro)*	2,578	227	2,344	209
Basic EPS (*euro*)	0.22	0.24	0.20	0.22
Diluted EPS (*euro*)	0.22	0.24	0.20	0.22

24.1 Weighted average number of ordinary shares (fully diluted)

For further information on this section, see the chapter "Shareholder base, stock price performance and other information" in the Report on operations.

Part D – Consolidated comprehensive income

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(millions of euro)

		Gross amount	Income tax	Net amount
10.	**NET INCOME (LOSS)**	**X**	**X**	**2,938**
	Other comprehensive income			
20.	Financial assets available for sale:	1,424	-294	1,130
	a) fair value changes	944	-189	755
	b) reversal to income statement	404	-90	314
	- impairment losses	*218*	*-30*	*188*
	- gains/losses from disposals	*186*	*-60*	*126*
	c) other changes	76	-15	61
30.	Property and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	-55	16	-39
	a) fair value changes	-53	14	-39
	b) reversal to income statement	2	-1	1
	c) other changes	-4	3	-1
70.	Foreign exchange differences:	-120	-	-120
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-120	-	-120
80.	Non current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity:	33	-5	28
	a) fair value changes	41	-5	36
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-8	-	-8
110.	**Total other comprehensive income**	**1,282**	**-283**	**999**
120.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**3,937**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**151**
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**3,786**

Part E – Information on risks and relative hedging policies

SECTION 1 – RISKS OF THE BANKING GROUP

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk, protect the Group's financial strength and reputation, and permit a transparent representation of the risk profile of its portfolios.
The risk management strategy aims to achieve an increasingly complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, as well as to foster a culture of risk-awareness.
The efforts of recent years to secure the Supervisory Authority's validation of internal models for credit, operational, market and credit derivative risk should be seen in this context.
The definition of operating limits related to market risk indicators, the use of risk measurement instruments in granting and monitoring loans and controlling operational risk and the use of capital at risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the strategic and management guidelines defined by the Supervisory Board and the Management Board along the Bank's entire decision-making chain, down to the single operating unit and to the single desk.
The main principles in risk management and control are:
– clear identification of responsibility for acceptance of risk;
– measurement and control systems in line with international best practices;
– organisational separation between the functions that carry out day-to-day operations and those that carry out controls.
The policies relating to the acceptance of risks are defined by the Supervisory Board and the Management Board of the Parent company with support from specific operating Committees, the most important of which are the Internal Audit Committee and the Group Risk Governance Committee, and from the Chief Risk Officer reporting directly to the Chief Executive Officer.
Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. This a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance, control limits and procedures.
The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:
– credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
– market risk (trading book), including position, settlement and concentration risk on the trading book;
– financial risk (banking book), mostly represented by interest rate and foreign exchange rate risk;
– operational risk, including legal risk;
– liquidity risk;
– strategic risk;
– risk on equity investments not subject to line by line consolidation;
– risk on real estate assets owned for whichever purpose;
– reputation risk;
– insurance risk.
Risk coverage, in consideration of the nature, frequency and potential impact of the risk, is based on the constant balance between mitigation/hedging actions, control procedures/processes and finally capital protection.
The Parent company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries, these functions are performed, on the basis of an outsourcing contract, by the Parent company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.
For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part of the Notes to the consolidated financial statements.
The information provided in this part of the document is based on internal management data and may not coincide with that contained in Parts B and C. Tables and information for which the indication of "book values" is specifically required represent an exception.

Other risks

In addition to credit, market, operational and insurance risks, discussed in detail in the following paragraphs, the Group has also identified and monitors the following other risks.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decrease in profits or capital due to changes in the operating context, misguided company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.
The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Supervisory Board and the Management Board, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions, ensures that strategic risk is mitigated.
An analysis of the definition of strategic risk leads to the observation that this risk is associated with two distinct fundamental components:

- a component associated with the possible impact of misguided company decisions and an inability to react sufficiently to changes in the competitive scenario: this component does not require capital, but is one of the risks mitigated by the ways in which, and the levels at which, strategic decisions are reached, where all significant decisions are always supported by ad hoc activities aimed at identifying and measuring the risks implicit in the initiative;
- the second component is more directly related to business risk; in other words, it is associated with the risk of a potential decrease in profits as a result of the inadequate implementation of decisions and changes in the operating context. This component is handled not only by using systems for regulating company management, but also via specific internal capital, determined according to the Variable Margin Volatility (VMV) approach, which expresses the risk arising from the business mix of the Group and its business units.

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses.

Reputation risk

The Intesa Sanpaolo Group attaches great importance to reputation risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities.
The Group has adopted and published a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with objectives more ambitious than those required by mere compliance with the law. On the subject of customer relations, it should be recalled that the Group has set up a systematic dialogue process. It has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.
The Group also provides effective governance for compliance risk as a prerequisite for mitigating reputation risk.
There has been a particular focus on financial advisory services for customers, for which the MiFID Directive was taken as an opportunity to update the entire marketing process and associated controls.
Accordingly, the Group has reinforced its longstanding general arrangement, which calls for the adoption of processes supported by quantitative methods for managing the risk associated with customers' investments in accordance with a broad interpretation of the law with the aim of safeguarding customers' interests and the Group's reputation.
This has allowed assessments of adequacy during the process of structuring products and rendering advisory service to be supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or subscribe for financial investments.
More in particular, the marketing of financial products is also governed by specific advance risk assessment policies from the standpoint of both the Bank (along with risks, such as credit, financial and operation risks, that directly affect the owner) and the customer (sustainability in terms of risk to return ratio, flexibility, concentration, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

Risk on owned real-estate assets

The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and is thus included in the category of banking book financial risks.
Real estate management is highly centralised and represents an investment that is largely intended for use in company operations. The degree of risk in the portfolio of owned properties is represented by using a VaR-type model based on indices of mainly Italian real estate prices, which is the main type of exposure associated with the Group's property portfolio.

The Basel 2 Project

In 2007, Intesa Sanpaolo launched the "Basel 2 Project" to prepare the Group for the adoption of advanced approaches, building on the pre-merger experience of Intesa and Sanpaolo IMI. In 2008, the Intesa Sanpaolo Group began the approval process for their adoption.
With regard to credit risks, a "first scope" of Group entities that use approaches based on internal models was identified. For this scope, the Group secured permission to use the IRB Foundation approach for the Corporate segment, effective

from the report as at 31 December 2008. In 2009, the Group initiated a process of expanding the scope of application of internal models by securing permission for the use of the IRB Foundation approach by network banks belonging to the former Cassa di Risparmio di Firenze Group (effective from the report as at 31 December 2009) and to Intesa Sanpaolo Bank Ireland (effective from the report as at 31 March 2010) and also submitted a petition to launch the procedure for the international subsidiaries CIB Bank and VUB Banka and the Italian Banca IMI. In 2008, the Group implemented rating models and credit processes for the SME Retail and Retail segments (residential mortgages), and in 2009 it completed development of the LGD (Loss Given Default) model, which will allow for the adoption in the first half of 2010 of the IRB approach for the Retail Mortgage segment, followed by the adoption of the IRB approach for the SME Retail segment and the advanced IRB approach for the Corporate segment.
The Group is also proceeding with development of the rating models for the other segments and the extension of the scope of companies for their application in accordance with 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 obtained permission, effective from 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 the banks and companies of the Banca dei Territori Division (except network banks belonging to Cassa di Risparmio di Firenze Group excluding Casse del Centro), Leasint, Eurizon Capital and VUB Banka. The remaining companies, which currently employ the Standardised approach, will gradually migrate to the Advanced approaches beginning in 2010.

Furthermore, in 2009 the Group presented its second 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 each quarter, as Intesa Sanpaolo is among the groups that have adopted IRB and/or AMA approaches for credit and operational risk, at the address: group.intesasanpaolo.com.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Code of conduct of listed companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies and the achievement of the following objectives:
– the effectiveness and efficiency of Company processes;
– the safeguard of asset value and protection from losses;
– reliability and integrity of accounting and management information;
– transaction compliance with the law, supervisory regulations as well as policies, plans, procedures and internal regulations;

The internal control system is characterised by a documentary infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls within the business, incorporating both the Company policies and the instructions of the Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of "Governance Documents" that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.
More specifically, the Company rules set out organisational solutions that:
– ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
– are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
– enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
– guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
– ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units and the control functions.

The Company's organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
At the Corporate Governance level, Intesa Sanpaolo has adopted a dual governance model, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company's business, which is exercised by the Management Board in accordance with the provisions of art. 2409-octies and subsequent of the Italian Civil Code and art. 147-ter and subsequent of the Consolidated Law on Finance.

The Supervisory Board has established an internal Control Committee that proposes, advises and enquires on matters regarding the internal control system, risk management and the accounting and IT system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Legislative Decree 231/2001 on the administrative responsibility of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.
From a more strictly operational perspective the Bank has identified the following macro types of control:
- line controls, aimed at ensuring the correct application of day-to-day activities and single transactions. Normally, such controls are carried out by the productive structures (business or support) or incorporated in IT procedures or executed as part of back office activities;
- risk management controls, which are aimed at contributing to the definition of risk management methodologies, at verifying the respect of limits assigned to the various operating functions and at controlling the consistency of operations of single productive structures with assigned risk-return targets. These are not normally carried out by the productive structures;
- compliance controls, made up of policies and procedures which identify, assess, check and manage the risk of non-compliance with laws, Supervisory authority measures or self-regulating codes, as well as any other rule which may apply to the Bank;
- internal auditing, aimed at identifying anomalous trends, violations of procedures and regulations, as well as assessing the overall functioning of the internal control system. It is performed by different structures which are independent from productive structures.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.
As a consequence, Intesa Sanpaolo's control structure is in compliance with the instructions issued by the Supervisory Authorities. Indeed, alongside an intricate system of line controls involving all the function heads and personnel, a Chief Risk Officer area has been established specifically dedicated to second level controls that incorporates both units responsible for the control of risk management (in particular, the Risk Management Department, Credit Quality Monitoring, and Internal Validation in accordance with Basel 2), and the management of compliance controls (Compliance Department). Also reporting to the Chief Risk Officer is the Legal Affairs Department, which monitors and controls the legal risk of Intesa Sanpaolo and its Group.
There is also a dedicated Internal Auditing Department, which reports directly to the Chairman of the Management Board and to the Chairman of the Supervisory Board, and is also functionally linked to the Control Committee.

The Compliance Department
The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
Non-compliance risk is managed by the Compliance Department, established in June 2008 in accordance with the regulations issued by the Bank of Italy on 10 July 2007 and the provisions of the Joint regulations issued by Consob and the Bank of Italy on 29 October 2007. The Compliance Department reports to the Chief Risk Officer.
In the first few months of 2009, Intesa Sanpaolo's Management Board and Supervisory Board approved the Compliance Guidelines, which incorporate the Group's Compliance Model. These Guidelines identify the responsibilities and macro processes for compliance, aimed at mitigating the risk of non-compliance through a joint effort by all the company functions. The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of compliance risk. The Compliance Department, including through the coordination of other corporate functions, is also responsible for the identification and assessment of the risks of non-compliance, the proposal of the functional and organisational measures for their mitigation, the assessment of the company's bonus system, the pre-assessment of the compliance of innovative projects, operations and new products and services, the provision of advice and assistance to the governing bodies and the business units in all areas with a significant risk of non-compliance, the monitoring, including through the use of information provided by the Internal Auditing Department, of ongoing compliance, and the promotion of a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.
The Compliance Department submits periodic reports to Corporate Bodies on the adequacy of compliance control. On an annual basis, these reports include an identification and assessment of the primary non-compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a semi-annual basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is given when events of particular significance occur. A supplemented report is also periodically presented to the competent Corporate Bodies. This support is drafted by units charged with second-tier controls and aims to provide a comprehensive overview of the Group's supervision of operational and reputation risk. The document, the preparation of which also involves the use of information provided by the Internal Auditing Department, draws attention to the most critical areas and the state of progress of activities aimed at mitigating the risks identified.
The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:
- compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent company are centralised with the Compliance Department;
- for the other companies, specifically identified on the basis of the existence of a legal obligation or their material nature, as well as for Foreign Branches, an internal compliance function is established and a local Compliance Officer is appointed. In functional terms, the Compliance Officer reports to the Compliance Department and is assigned compliance responsibilities.

The activities carried out during the year concentrated on the regulatory areas considered to be the most significant in terms of compliance risk. In particular:

- the process of bringing the financial intermediation and investment services area into compliance with the MiFID Directive continued to be supervised. As required by the implementing regulations issued by Supervisory Authorities and on the basis of specific requests from Authorities, this process involved changes to governance and organisational systems consisting of drafting policies, processes and procedures, with a particular focus on supervision of conflicts of interest and personal transactions; compliance activities also involved launching the required training initiatives, clearing new products and services and monitoring customer transactions in order to prevent market abuse;
- further effort was dedicated to projects aimed at enhancing the supervision of the Group's Italian and foreign companies in the area of embargoes and the prevention of money laundering. In detail, these involved coordinating organisational, IT and training activities aimed at implementing the Third European Directive. Proper maintenance of the Single Electronic Archive also continued to be monitored and suspicious transactions analysed and assessed for reporting to the competent Authorities;
- legislative developments in the areas of banking products and services were monitored, with a particular focus on the issue of transparency and usury. Rules, procedures and operational practices were established to prevent violations or infractions of applicable rules governing such products and services in order to ensure that support and guidance are provided to business units with the aim of guaranteeing that consumer-protection provisions are properly managed;
- a specific project was launched with the aim of enhancing supervision of compliance risks affecting the insurance segment in terms of both the Group's product companies and distribution networks;
- the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new offences, and coordinating the training activities and the verification of its proper implementation;
- controls of company processes functional to certification by the Manager responsible for preparing the Company's financial reports in accordance with art. 154-bis of the Consolidated Law on Finance continued and assurance activities were enhanced according to a risk-based approach.

The Internal Auditing Department

With regard to Internal Auditing activities, the Internal Auditing Department is responsible for ensuring the ongoing and independent surveillance of the regular progress of the Bank's operations and processes for the purpose of preventing or identifying any anomalous or risky behaviour or situation, assessing the functionality of the overall internal control system and its adequacy in ensuring the effectiveness and efficiency of company processes, the safeguarding of asset value and loss protection, the reliability and completeness of accounting and management information, and the compliance of transactions with the policies set out by the Company's administrative bodies and internal and external regulations.

Furthermore, it provides consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving the effectiveness of control, risk management and organisation governance processes.

The Internal Auditing Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practice and standards for internal auditing established by the Institute of Internal Auditors (IIA).

The Internal Auditing Department has a structure and a control model which are organised consistently with the divisional model of Intesa Sanpaolo and the Group.

During the year, the auditing was performed directly for the Parent company and for the Banche dei Territori, and also for a limited number of other subsidiaries with an outsourcing contract. For the other Group companies second level controls were conducted (indirect surveillance).

Supervision activity was conditioned to an especially significant degree by the delicate economic scenario. Consequently, also in accordance with instructions issued by the Control Committee and Top Management, verifications were aimed at monitoring the evolution of the risks associated with credit quality, financial operations, the Group's investment banking and other international activities.

Direct surveillance was carried out in particular through:

- the control of the operational processes of network and central structures, with verifications, also through on-site interventions, on the functionality of line controls in place, of risk management, of the respect of internal and external regulations, of the reliability of operational structures and delegation mechanisms, of correctness of available information in the various activities and of their adequate use with free and independent access to functions data and documentation and application of adequate tools and methodologies;
- the surveillance, via distance monitoring integrated by on-site visits, of the credit origination and management process, verifying its adequacy with respect to the risk control system and the functioning of measurement mechanisms in place;
- the surveillance of the process for the measurement, management and control of the Group's exposure to market, counterparty, operational and credit risks, periodically reviewing the internal validation of the models and the ICAAP process developed for Basel 2 and the Prudential Supervisory regulations;
- the valuation of adequacy and effectiveness of information technology system development and management processes, to ensure their reliability, security and functionality;
- the surveillance, also via on-site visits, of the processes related to financial operations and the adequacy of related risks control systems;
- the control of compliance with the behavioural rules and of the correctness of procedures adopted on investment services as well as compliance with regulations in force with respect to the separation of the assets of customers;

– the verification of the operations performed by foreign branches, with interventions by internal auditors both local and from the Head Office.

During the year the Internal Auditing Department also ensured the supervision of all the main development projects paying particular attention to control mechanisms in the Bank's models and processes and, in general, to the efficiency and the effectiveness of the control system established within the Group.

Indirect surveillance was conducted via direction and functional coordination of the Auditing structures in subsidiaries, for the purpose of ensuring control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both the structural and operational profile. Direct reviews and verification interventions were also conducted.

In conducting its duties, the Internal Auditing Department used methodologies for the preliminary analysis of risks in the various areas. Based on the assessments made and on the consequent priorities, the Internal Auditing Department prepared and submitted an Annual Intervention Plan for prior examination to the Control Committee, the Management Board and the Supervisory Board, on the basis of which it conducted its activities during the year, completing the scheduled audits.

Any weak points have been systematically notified to the Departments involved for prompt improvement actions which are monitored by follow-up activities.

The valuations of the internal control system deriving from the checks have been periodically transmitted to the Control Committee, to the Management Board and to the Supervisory Board which request detailed updates also on the state of solutions under way to mitigate weak points; furthermore, the most significant events have been promptly signalled to the Control Committee.

A similar approach is used with respect to the responsibilities of administrative bodies pursuant to Legislative Decree 231/01 for the Control Committee, as Surveillance body.

Finally, the Internal Auditing Department ensured constant assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional practice.

Certification as required by art. 154-bis of the Consolidated Law on Finance

As required by art. 154-bis of the Consolidated Law on Finance, the delegated management bodies and the Manager responsible for preparing the Company's financial reports must issue a specific report annexed to the financial statements in which it is certified that the administrative and accounting procedures were adequate and effectively applied during the period, the Company's accounting documents match the contents of accounting books and records, the documents are suitable to providing a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and the set of companies included in the scope of consolidation, and the analysis of the Group's performance and results presented in the Report on operations is reliable, along with a description of the main risks and uncertainties to which the Group is exposed.

Intesa Sanpaolo has established a governance and control system that is appropriate to monitoring the risks typical of the company and the Group on an ongoing basis. In detail, the internal control system for accounting and financial information is supervised by the Manager responsible for preparing the Company's financial reports in accordance with the Company Regulations "Guidelines for administrative and financial governance".

The monitoring of the quality of accounting and financial information is based on a joint review of:

– organisational and control arrangements, conducted according to a review plan aimed at providing an ongoing assessment of the adequacy and effective application of the administrative and accounting procedures for managing the data required for a true and fair view of the Group's assets, liabilities, profit or loss and financial position in financial statement documents and all other financial disclosures, including, in particular, the Pillar III public disclosure document; to the extent functional to documenting the quality of accounting data streams, monitoring extends not only to administrative and accounting processes, narrowly defined, but also to guidance and control processes (planning, management control, risk control), business processes (credit, finance, etc.), support processes (operations) and governance rules for the technological infrastructure and applications that support the management of administrative and accounting procedures;
– the completeness and consistency of information disclosed to the market by enhancing ordinary internal communications processes through the regular acquisition of a structured, organised system of information streams by the Manager responsible for preparing the Company's financial reports; the functions of the Parent company and its subsidiaries regularly give notice of events material to accounting and financial information, particularly as regards the primary risks and uncertainties to which they are exposed, while also facilitating ongoing relations with the units that the Manager responsible for preparing the Company's financial reports asks to conduct any further inquiries in a timely manner.

The Manager responsible for preparing the Company's financial reports, aided by the Administrative and Financial Governance Unit, has identified the scope of the subsidiaries viewed as material to financial information on the basis of their respective contributions to captions of the consolidated income statement and balance sheet and assessments of business complexity and underlying risk types. He then defined the schedule of the work to be done on the Group in connection with legal obligations – the preparation of procedures and management of review activities – taking care to ensure that development was oriented in accordance with the principles enunciated in the Regulations entitled "Guidelines for administrative and financial governance" and that the application of control approaches was fully consistent with the reference methods used, which reflect international standards derived from the COSO and COBIT Framework[1], to ensure that the review process and assessment criteria were applied homogeneously to Group companies.

[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

In particular, evidence provided by Internal Auditing Departments is used to determine whether there is an adequate internal control system at corporate level to reduce the risk of errors or incorrect conduct. This is achieved through the verification of elements such as adequate governance systems, conduct standards based on ethics and integrity, effective organisational structures, clear attribution of powers and responsibilities, adequate risk policies, personnel disciplinary systems, effective codes of conduct and fraud prevention systems.
Verification of the adequacy and actual application of administration and accounting procedures and of governance rules for the IT infrastructure and applications is carried out partly according to specific methodologies derived from auditing standards supervised by the Manager responsible for preparing the Company's financial reports and dedicated departments, and partly based on evidence provided by the Internal Auditing Department and other control departments, with a view to maximising organisational synergies.
After completing this process, each Company then produced a Report on the internal control system functional to financial reporting, which was enhanced and completed in concert with the Parent company's Administrative and Financial Governance Unit before being formally sent to the Manager responsible for preparing the Company's financial reports. These Reports, presented as part of the periodic information provided to each company's supervisory bodies, were drafted to include:
– the outcome of reviews of processes sensitive to financial information by the control functions that support the review plan set by the Manager responsible for preparing the Company's financial reports (local Administrative and Financial Governance, Internal Audit and Compliance Units);
– material information included in the data streams transmitted by the companies, remarks formulated by the management for the Manager responsible for preparing the Company's financial reports and any suggestions made by the independent auditors in the conduct of their engagements.

The Report on the internal control system functional to financial reporting includes:
– information concerning the company's overall situation and financial information control system;
– the scope of the audit plan carried out in the performance of administrative and accounting procedures and the governance rules for the technology and applications that support it;
– a summary and detailed breakdown of the reviews conducted and the anomalies detected, with a precise indication of measures aimed at restoring the full functionality of controls.

Once the evaluation process for administrative and accounting procedures at the level of the Parent Company and subsidiaries has been completed, the Administrative and Financial Governance Unit drafts a Group report in which:
– an account is given of the state of application of the administrative and financial governance model adopted by the Group and the primary initiatives promoted by the Manager responsible for preparing the Company's financial reports during the year aimed at constantly enhancing the administrative and accounting system;
– further information is provided concerning the anomalies detected, including an indication of risk, the affected captions of the income statement and balance sheet, the accounts that could be impacted, and compensatory controls with a mitigating effect with the aim of filling gaps in terms of the values and information represented at the consolidated level;
– an overarching judgment is expressed, considering both the information provided during the period by the Parent company's functions and the subsidiaries and the opinions stated by management and of any suggestions made by the independent auditors.

Following completion of the reviews conducted during the year to express an opinion of the adequacy and effective application of controls of administrative and accounting procedures and technology and application governance rules, the reliability of the internal control system for accounting and financial information is confirmed.
However, the fact that administrative and accounting procedures are suitable to providing an accurate representation of the assets, liabilities, profit or loss and financial position of the Bank and Group in the financial statements does not mean that there is no room for improvement, which is then the object of measures taken by the interested units and the supervision provided by the Manager responsible for preparing the Company's financial reports without any interruption of the working process.
The information was presented to the Control Committee, to the Management Board and to the Supervisory Board in relation to their respective spheres of competence.
The work done provided the basis for the Managing Director – CEO and Manager responsible for preparing the Company's financial reports to issue the certifications required by art. 154-*bis* of Legislative Decree 58/98 with respect to the 2009 Annual Report, in accordance with the model established by the Consob Regulation (Annex 3c-*ter* to the Issuers Regulation).

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

As is common knowledge, Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (art. 36 Market Regulation).
In connection with this provision, the "material" companies to be included in the scope of compulsory monitoring in accordance with art. 36 of the Market Regulation for 2009 have been identified through a structured process of quantitative analysis of their individual contributions to the captions of the consolidated income statement and balance sheet and of qualitative assessments aimed at determining the level of complexity of the processes of generating financial information resulting from the specific nature of their businesses and the contexts in which they operate.
Obligations for "material" companies were duly discharged with respect to requirements that:

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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.

a) the public be provided access to the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements[2];
b) articles of association, membership and powers of the control bodies be acquired;
c) the Auditor of the Parent Company, Intesa Sanpaolo, be provided with the information necessary to perform annual and interim audits of the Parent Company, ensure that there is an administrative and accounting system appropriate for regular reporting to the management and auditor of the Parent Company of the income statement, balance sheet and financial data necessary for the preparation of the consolidated financial statements.

With respect to the requirement set out under c) above, which represents the most complex responsibilities, the companies:
- regularly provided the Parent Company with the information required to allow the public to be given access to the accounting positions employed to prepare the consolidated financial statements;
- awarded a specific audit engagement to secure an independent opinion certifying the information forwarded to the Parent Company to prepare the consolidated financial statements (auditing of the reporting package);
- took measures to ensure, in accordance with the Regulation "Guidelines for administrative and financial governance", that:
  - the Manager responsible for preparing the Company's financial reports regularly received the set of established data streams and had timely and complete access to any circumstance material to accounting and financial information; during the year, these data streams reported by the companies were further examined, where appropriate, by the Manager responsible for preparing the Company's financial reports, the Administration and Tax Department, and the independent auditors;
  - the audit plan for certifying the adequacy of administrative and accounting procedures was conducted in accordance with the indications provided by the Administrative and Financial Governance Unit, on which the Manager responsible for preparing the Company's financial reports draws to coordinate the Group's activities by drawing up a Report on the internal control system for financial information in support of the internal certification required by the Company's delegated body at the conclusion of the assessment process.

The Report is drafted in the same way as cited above in connection with the obligations under art. 154 bis of the Consolidated Law on Finance in order to ensure that the approach taken to the supervision of financial information is organic and consistent.

The procedures adopted call for the Supervisory Board of Intesa Sanpaolo to be informed in a timely manner of the outcome of controls conducted in accordance with the plan adopted to certify the adequacy of the administrative and accounting system. Periodic meetings concerning this area of responsibility were held with the Control Committee and Financial Statements Committee for the purposes of the subsequent preparation of the information to be provided to the Management Board and Supervisory Board.

It is worth noting that even those companies considered "immaterial" were involved in the standardisation of the process of acquiring the articles of association, powers and details of membership of corporate bodies and extending – where controlled by "material" subsidiaries acting as sub-holding companies – some forms of control, such as the audit of the reporting package and/or local financial statements by the sub-holding company's auditor. "Exempt" companies were subject to the forms of supervision consisting of an audit in accordance with local laws and the discharge of obligations towards the Parent Company.

The set of supervision initiatives implemented for companies within the scope of activity provides the basis for coverage that is consistent with provisions of law and satisfactory in light of the guidelines issued by the Manager responsible for preparing the Parent Company's financial reports concerning the supervision of financial information.

On the specific subject of the scope of subsidiaries based in non-EU Member States subject to compulsory auditing in accordance with the provisions of the cited art. 36, the work done by the competent units allowed the acquisition of the necessary information and the conduct of reviews aimed at determining whether legal conditions had been met.

As part of the filing process for documents due before the Shareholders' Meeting, the Parent Company will ensure that the public is provided access to the accounting positions prepared by these companies for use in drafting the consolidated financial statements.

On this basis, the listed Parent Company's administrative body may certify that the conditions required by law have been met.

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As required by the instructions provided by the Bank of Italy, the information in this section is furnished solely with respect to the Banking Group, except when it is expressly indicated to the contrary that all companies within the scope of consolidation are considered.

In the tables that refer solely to the Banking Group, amounts are stated gross of dealings with other companies within the scope of consolidation. By convention, these amounts include the share proportional to the interest held of the assets and liabilities of jointly controlled banking, financial and instrumental companies consolidated proportionally for regulatory purposes. Where the contribution of dealings between the Banking Group and the other companies in the scope of consolidation for the financial statement is material, the details of such dealings are provided.

[2] As is common knowledge, it is theoretically possible for them to be different from those presented in the separate financial statements of the same subsidiaries on the basis of the application of heterogeneous measurement standards in accordance with the laws of their home jurisdictions.

1.1. CREDIT RISK

The Group's credit strategies, powers and granting and monitoring rules are aimed at:

- coordinating actions to achieve sustainable growth of lending operations consistent with the risk appetite and value creation;
- portfolio diversification, 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.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

The areas of competence for lending activities are determined according to a strict segregation of functions and responsibilities. In 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 – coordinates the process of setting credit strategies (in which the other Chiefs and Business Units also participate) and updating them as required over time, the Chief Lending Officer is responsible for material credit decisions, supervises non performing loans and the recovery of doubtful positions and sets credit granting and monitoring rules, the Chief Risk Officer ensures that the Group's risk exposures are measured and monitored, formulates proposals for assigning the authority to grant and monitor loans and constantly monitors risk and credit quality performance, and the Chief Operating Officer provides specialist support for defining credit processes to ensure cost synergies are achieved and the service offered is of excellent quality.

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 early 2009, as part of the ongoing redefinition of the areas of competence for credit activities, the Group introduced regulations concerning the "Group's loan granting and monitoring process".

The principles that guide this process are:

- an adversarial approach between the functions involved aimed at ensuring that risk is prudentially assessed and managed; in this regard, decision-making bodies are ensured an "independent" contribution for assessing risk provided by specific technical units to support them as they formulate analyses and assessments of creditworthiness;
- simplicity and efficiency; the formulation of loan granting and monitoring processes ensures promptness in responding to customers, while at the same time ensuring that risk assessment is effective by modulating it according to the scope and complexity of the risk in question and assessing it on the basis of predetermined parameters;
- the various levels of monitoring of compliance of applicable rules;
- the measurement of the efficiency and efficacy of the process.

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

- the system of Credit Strategies, Powers and Granting and Monitoring rules (that will gradually replace Credit Policies) governing the ways in which credit risk to customers is assumed;
- "Credit-granting limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The Chief Risk Officer sets risk management guidelines and policies in accordance with the Company's strategies and objectives. This Officer's responsibilities include contributing to the setting out of the credit strategies by providing guidelines in relation to Expected Loss, Economic Capital and the acceptance thresholds; the measurement and control of the Group's exposure to the various types of risk and related reporting to Top Management; ensuring the monitoring of credit quality and the observance of credit-related guidelines and strategies through the continuous monitoring of risk and credit quality and the implementation of corrective actions by the Business Units; and establishing the powers in relation to the granting and management of loans and the criteria for classification as non-performing loans.

The Chief Risk Officer is also responsible, at Group level, for the definition and development of credit risk measurement methods, in order to ensure alignment with best practice.

These activities are conducted directly by the Risk Management Department, through the Credit Risk Management Unit, and by the Credit Quality Monitoring Unit, for both the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the abovementioned departments and units of the Parent Company.
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 debt 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.
Multiple rating models are applied to the Corporate segment:
– models differentiated according to the market in question (domestic or international) and size bracket of the company are applied to most businesses;
– there are two specific models for specialised lending, one for real-estate development initiatives and the other for project-finance transactions.

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

The allocation of the rating is generally spread across the branches, except for certain types of counterparty (mainly large groups and complex conglomerates), which are centralised in specialist units within the Parent Company's Head Office Department and require expert assessments.
The models applied to the Retail portfolio are as follows:
– for the Small Business segment, a new Group counterparty rating model was adopted effective late 2008, based on similar criteria to the Corporate model, namely highly decentralised and where the quantitative-objective elements are supplemented by qualitative-subjective elements;
– for the Mortgage segment, the Group's new model, also adopted in late 2008, processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
– a class of models is gradually being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.

The system is rounded out by the Sovereign model for sovereign counterparties and country risk, local authority models, which are currently being refined, the bank model, the second generation of which involves a division into mature and emerging countries is now at the release stage, and experience-based models for the non-bank financial institutions class.

The next generation LGD model was released on an integrated basis in 2009. The approach adopted for determining LGD is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group. The LGD is estimated based on the losses measured for a population of closed defaults over a particular period of observation based on nine years of experience using econometric multivariate analysis models. Plans call for the development of an internal model for determining EAD (Exposure at Default).

The use of the IRB Foundation approach was approved for the calculation of requirements for Corporate rating models effective from the reference date of 31 December 2008. For information on the plan to extend the IRB approach to other rating models and the LGD models, refer to the paragraph concerning the Basel 2 Project.

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

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 automatic, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as

described in the related paragraph below.
The entire loan portfolio is 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 input of information provided by all Group banks and companies that operate on the target IT system into the Credit Control Panel was completed in 2009. The information content stored in this instrument represents the primary source employed to control and monitor the loan portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses.
The project to revamp the contents and layout of the Credit Information Portal was also completed. This application, which draws data from the Credit Control Panel, allows the peripheral units of the Banca dei Territori and Corporate and Investment Banking Divisions access via the Company intranet down to the Area level to a wide range of standard reports on the loan portfolio and the loan processes within their respective spheres of competence, updated on a monthly basis. This instrument is scheduled for gradual release in early 2010.
The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each customer/economic group both towards the Group as a whole and towards individual Group companies.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
Counterparty risk is bilateral in nature inasmuch as the mark-to-market of the transaction may be either positive or negative depending on the performance of the market factors that underlie the financial instrument.
The Group employs counterparty risk mitigation techniques that are recognised for regulatory purposes. These techniques are discussed in the paragraph concerning techniques for the mitigation of credit risk.
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group applies the mark-to-market approach (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
This approach estimates the loan equivalent as the sum of the positive mark-to-market and potential future exposure, where the latter is calculated by applying certain percent rates to the notional amounts of the transactions.
In the Group, from a management standpoint, counterparty risk, defined as the maximum acceptable loss on a certain counterparty, is quantified by determining lines of credit to account for replacement risk associated with OTC derivatives and SFT transactions. Capital use is monitored through the joint application of mark-to-market and add-on values (internally prepared estimates of the maximum potential exposure on the transactions in question).

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro-economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model 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 "large risks", 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.
During the loan granting and monitoring process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, especially medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other

forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and the credit quality of the guarantor.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets fall below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
The value of the asset is appraised frequently, including with the aid of statistical methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
The monitoring process also involves identifying properties that, where the property value decreases significantly and/or the exposure is a major amount, require an appraisal by an independent expert based on a value not exceeding the market value.
For all other guarantees, processes and procedures are in place to allow a frequent review of compliance with Basel 2 regulations in order to be able to benefit from recognition of guarantees when computing regulatory capital.
Performance in terms of the amounts and/or absolute numbers of adequate guarantees is reviewed and monitored on a monthly basis.
To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
Furthermore, the Group establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement).

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Bank applies regulations issued by the Bank of Italy, consistent with the New Basel Accord and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
These assets are measured in accordance with the criteria and methods illustrated in Part A – Accounting Policies, Loans and Other information sections, to which specific reference should be made.
With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
During 2009, 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 2008.
Specifically, for the former Sanpaolo network within Intesa Sanpaolo and almost all Network Banks, 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.
For the former Intesa network within Intesa Sanpaolo and some Network Banks, doubtful positions are managed under a management mandate with predetermined limits assigned to Italfondiario S.p.A..
The activities carried out by Italfondiario have 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 subject, the Loan Recovery Department also supervises the management of positions assigned to Italfondiario S.p.A..
To complete the foregoing information, it should also be noted that doubtful positions of limited amounts, excluding some specific cases, are routinely factored without recourse to third-party companies on a monthly basis when they are classified as doubtful. This system, which is currently in place for Intesa Sanpaolo and some Network Banks, is gradually being extended to other Group Network Banks.
Lastly, in the area of the organisation and management of recovery activity, in December 2009 the Management Board

approved an amendment to the servicing agreement with Italfondiario S.p.A., under which responsibility for non-performing positions is normally to be allocated to internal units (Loan Recovery Department) and Italfondiario S.p.A. on the basis of criteria relating to the amount of the customer's exposure.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to expired and/or past-due loans as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "expired and/or past-due loans" are restored to performing status automatically when payment is received. The same is true of exposures of moderate amounts previously classified as substandard in accordance with internal provisions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

The data shown in the following tables (A.1.1 and A.1.2) refer to all companies within the scope of consolidation for accounting purposes. In the tables, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

	Banking group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	1	57	2	14	67,917	-	145	68,136
2. Financial assets available for sale	5	1	-	-	13,196	-	18,196	31,398
3. Investments held to maturity	-	2	-	-	4,559	-	-	4,561
4. Due from banks	27	1	-	2	43,148	-	64	43,242
5. Loans to customers	5,361	10,370	2,293	2,417	352,181	4	1,407	374,033
6. Financial assets designated at fair value through profit and loss	-	-	-	-	721	-	10,691	11,412
7. Financial assets under disposal	-	-	-	9	5,789	-	-	5,798
8. Hedging derivatives	-	-	-	-	6,993	-	13	7,006
Total 31.12.2009	**5,394**	**10,431**	**2,295**	**2,442**	**494,504**	**4**	**30,516**	**545,586**
Total 31.12.2008	**3,983**	**5,347**	**399**	**1,883**	**521,349**	**14**	**27,146**	**560,121**

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

(millions of euro)

	Non-performing assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	74	-	74	X	X	67,917	67,991
2. Financial assets available for sale	6	-	6	13,196	-	13,196	13,202
3. Investments held to maturity	2	-	2	4,559	-	4,559	4,561
4. Due from banks	109	-79	30	43,182	-34	43,148	43,178
5. Loans to customers	34,403	-13,962	20,441	354,639	-2,458	352,181	372,622
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	721	721
7. Financial assets under disposal	10	-1	9	5,808	-19	5,789	5,798
8. Hedging derivatives	-	-	-	X	X	6,993	6,993
Total A	**34,604**	**-14,042**	**20,562**	**421,384**	**-2,511**	**494,504**	**515,066**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	145	145
2. Financial assets available for sale	-	-	-	18,196	-	18,196	18,196
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	64	-	64	64
5. Loans to customers	5	-1	4	1,407	-	1,407	1,411
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	10,691	10,691
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	13	13
Total B	**5**	**-1**	**4**	**19,667**	**-**	**30,516**	**30,520**
Total 31.12.2009	**34,609**	**-14,043**	**20,566**	**441,051**	**-2,511**	**525,020**	**545,586**
Total 31.12.2008	**22,918**	**-11,299**	**11,626**	**474,657**	**-2,530**	**548,495**	**560,121**

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	104	-77	X	27
b) Substandard loans	4	-2	X	2
c) Restructured exposures	-	-	X	-
d) Past due exposures	4	-	X	4
e) Other assets	55,885	X	-51	55,834
TOTAL A	**55,997**	**-79**	**-51**	**55,867**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	4	-1	X	3
b) Other	72,378	X	-20	72,358
TOTAL B	**72,382**	**-1**	**-20**	**72,361**
TOTAL (A + B)	**128,379**	**-80**	**-71**	**128,228**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss, or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**15**	**90**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**98**	**11**	**-**	**21**
B.1 inflows from performing exposures	7	3	-	18
B.2 transfers from other non-performing exposure categories	89	6	-	-
B.3 other increases	2	2	-	3
B.4 business combinations	-	-	-	-
C. Decreases	**-9**	**-97**	**-**	**-21**
C.1 outflows to performing exposures	-	-	-	-5
C.2 write-offs	-1	-	-	-
C.3 repayments	-2	-6	-	-16
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-6	-89	-	-
C.6 other decreases	-	-2	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**104**	**4**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**13**	**63**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**77**	**5**	**-**	**-**
B.1 impairment losses	11	-	-	-
B.2 transfers from other non-performing exposure categories	63	5	-	-
B.3 other increases	3	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-13**	**-66**	**-**	**-**
C.1 recoveries on impairment losses	-	-1	-	-
C.2 recoveries on repayments	-	-	-	-
C.3 write-offs	-1	-	-	-
C.4 transfers to other non-performing exposure categories	-5	-63	-	-
C.5 other decreases	-7	-2	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**77**	**2**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	16,457	-11,094	X	5,363
b) Substandard loans	12,973	-2,600	X	10,373
c) Restructured exposures	2,402	-109	X	2,293
d) Past due exposures	2,589	-160	X	2,429
e) Other assets	397,114	X	-2,459	394,655
TOTAL A	**431,535**	**-13,963**	**-2,459**	**415,113**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,148	-144	X	1,004
b) Other	135,975	X	-253	135,722
TOTAL B	**137,123**	**-144**	**-253**	**136,726**
TOTALE (A + B)	**568,658**	**-14,107**	**-2,712**	**551,839**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss, or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).
Substandard and restructured loans include 402 million euro and 67 million euro, respectively, in exposures for which there is cash collateral among deposit liabilities.
Performing on-balance sheet exposures to customers include 823 million euro in dealings between the banking group and other companies within the scope of consolidation. For performing off-balance sheet exposures, this amount comes to 2,095 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**13,217**	**7,043**	**534**	**2,042**
- of which exposures sold not derecognised	*10*	*15*	*-*	*7*
B. Increases	**5,507**	**13,790**	**2,554**	**6,592**
B.1 inflows from performing exposures	1,251	8,496	1,707	6,168
B.2 transfers from other non-performing exposure categories	3,351	3,964	703	51
B.3 other increases	905	1,330	144	373
B.4 business combinations	-	-	-	-
C. Decreases	**-2,267**	**-7,860**	**-686**	**-6,045**
C.1 outflows to performing exposures	-115	-1,551	-13	-1,692
C.2 write-offs	-712	-165	-92	-11
C.3 repayments	-1,075	-1,815	-132	-728
C.4 credit disposals	-38	-44	-	-
C.5 transfers to other non-performing exposure categories	-141	-3,940	-400	-3,588
C.6 other decreases	-186	-345	-49	-26
C.7 business combinations	-	-	-	-
D. Final gross exposure	**16,457**	**12,973**	**2,402**	**2,589**
- of which exposures sold not derecognised	*21*	*33*	*1*	*12*

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**9,225**	**1,745**	**135**	**165**
- of which exposures sold not derecognised	*2*	*3*	-	-
B. Increases	**3,697**	**2,652**	**211**	**293**
B.1 impairment losses	2,287	2,130	89	263
B.2 transfers from other non-performing exposure categories	826	341	119	6
B.3 other increases	584	181	3	24
B.4 business combinations	-	-	-	-
C. Decreases	**-1,828**	**-1,797**	**-237**	**-298**
C.1 recoveries on impairment losses	-420	-444	-27	-50
C.2 recoveries on repayments	-318	-129	-2	-10
C.3 write-offs	-712	-165	-92	-11
C.4 transfers to other non-performing exposure categories	-57	-933	-99	-203
C.5 other decreases	-321	-126	-17	-24
C.6 business combinations	-	-	-	-
D. Final total adjustments	**11,094**	**2,600**	**109**	**160**
- of which exposures sold not derecognised	*10*	*8*	-	*5*

The “other increases” mainly include the verification of interest due and the increases in the balances of the funds in foreign currency following the change in the exchange rate. The “other decreases” mainly consist of the exclusion from the scope of consolidation of Findomestic following the partial sale of the investment in the company to third parties.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. Gross converted loans came to 79 million euro and were adjusted for 74 million euro. The equity instruments obtained were recognised at fair value (which amounted to approximately 5 million euro) and classified among financial assets available for sale.

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

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

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to capital adequacy framework: Standard & Poor's ratings Services, Moody's Investors Service, and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**61,707**	**37,492**	**14,600**	**11,147**	**4,776**	**22,288**	**318,969**	**470,979**
B. Derivatives	**3,322**	**2,488**	**80**	**56**	**10**	**70**	**4,823**	**10,849**
B.1. Financial derivatives	3,285	2,329	80	56	10	70	4,533	10,363
B.2. Credit derivatives	37	159	-	-	-	-	290	486
C. Guarantees given	**3,184**	**3,658**	**2,000**	**1,004**	**233**	**510**	**39,022**	**49,611**
D. Commitments to lend funds	**36,715**	**13,112**	**10,146**	**1,565**	**38,686**	**1,466**	**46,937**	**148,627**
Total	**104,928**	**56,750**	**26,826**	**13,772**	**43,705**	**24,334**	**409,751**	**680,066**

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

Mapping of long-term ratings issued by external rating agencies

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

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

Short-term ratings for exposures to supervised issuers and enterprises

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

Ratings for exposures to UCI

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

Long-term ratings for exposures to securitisations

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

Short-term ratings for exposures to securitisations

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

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

As already stated in the Qualitative information section, Intesa Sanpaolo has obtained permission to use the Foundation Internal Rating Based (FIRB) approach to determine the capital requirements of the Corporate portfolio (Regulatory corporate).
At 31 December 2009, the companies within the scope of application of reporting according to the FIRB approach were the Parent Company, Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio di Venezia, Cassa di Risparmio in Bologna, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio di Forlì e della Romagna, Banca di Trento e Bolzano, Banca dell'Adriatico, Cassa di Risparmio di Firenze, Cassa di Risparmio di Civitavecchia, Cassa di Risparmio di Pistoia e Pescia, Cassa di Risparmio della Spezia, BIIS – Banca Infrastrutture Innovazione e Sviluppo, Mediocredito Italiano Spa, Banca di Credito Sardo, Leasint and Mediofactoring.
The breakdown of exposures by internal rating class and ratings for the Corporate segment are based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.
Unrated loans account for 25% of all loans and refer to customer segments for which a rating model is not yet available (loans to individuals), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.
For the purposes of calculating risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.
When unrated counterparties and non-performing loans are excluded, rating classes at investment grade account for the majority, 57% of the total, whilst 23% fall within the BB+/BB- range and 20% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**65,454**	**42,893**	**69,824**	**93,658**	**45,249**	**4,789**	**20,491**	**128,621**	**470,979**
B. Derivatives	**2,772**	**1,767**	**564**	**902**	**586**	**21**	**70**	**4,167**	**10,849**
B.1. Financial derivatives	2,747	1,685	564	902	586	21	70	3,788	10,363
B.2. Credit derivatives	25	82	-	-	-	-	-	379	486
C. Guarantees given	**5,265**	**7,461**	**13,412**	**9,754**	**4,950**	**125**	**479**	**8,165**	**49,611**
D. Commitments to lend funds	**37,450**	**12,902**	**16,299**	**8,181**	**42,130**	**790**	**458**	**30,417**	**148,627**
Total	**110,941**	**65,023**	**100,099**	**112,495**	**92,915**	**5,725**	**21,498**	**171,370**	**680,066**

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

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**9,274**	**-**	**363**	**-**	**3,455**	**-**	**31**	**-**	**13,123**
COLLATERAL(1)									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	8,611	-	55	-	85	-	-	-	8,751
Other	267	-	3	-	3,345	-	6	-	3,621
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	*4*	-	-	-	-	-	-	-	*4*
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*85*	-	*115*	-	-	-	-	-	*200*
Other public entities	*103*	-	*17*	-	-	-	-	-	*120*
Banks	*233*	-	*49*	-	*21*	-	*11*	-	*314*
Other counterparties	*328*	-	*86*	-	*4*	-	*2*	-	*420*
TOTAL	**9,631**	**-**	**325**	**-**	**3,455**	**-**	**19**	**-**	**13,430**

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

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**200,251**	**11,795**	**23,731**	**2,208**	**19,351**	**396**	**3,824**	**92**	**247,157**
COLLATERAL(1)									
Real estate assets	133,500	8,457	6,127	267	7,297	193	375	16	147,299
Securities	15,139	260	2,254	975	538	18	155	6	18,086
Other	4,246	338	2,195	76	2,650	9	83	4	9,174
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*8,566*	*2*	*427*	*5*	*1,685*	-	-	-	*10,678*
Other public entities	*424*	*6*	*265*	*1*	*124*	-	*19*	-	*832*
Banks	*1,476*	*426*	*284*	*3*	*506*	*1*	*25*	*6*	*2,291*
Other counterparties	*40,148*	*2,657*	*5,092*	*344*	*8,510*	*195*	*1,068*	*23*	*54,818*
TOTAL	**203,499**	**12,146**	**16,644**	**1,671**	**21,310**	**416**	**1,725**	**55**	**243,178**

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

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2009	TOTAL 31.12.2008
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	-	5	-	6	41,420	41,431	-	-	-	1,184	1,184	42,615	26,134
Individual adjustments	-1	-5	-	-	X	-6	-	-	-	X	-	-6	-2
Collective adjustments	X	X	X	X	-4	-4	X	X	X	-	-	-4	-7
OTHER PUBLIC ENTITIES													
Net exposure	3	188	-	66	23,503	23,760	-	-	-	2,735	2,735	26,495	26,448
Individual adjustments	-2	-40	-	-	X	-42	-	-	-	X	-	-42	-19
Collective adjustments	X	X	X	X	-36	-36	X	X	X	-3	-3	-39	-52
FINANCIAL INSTITUTIONS													
Net exposure	96	317	7	30	33,591	34,041	1	14	2	38,493	38,510	72,551	58,165
Individual adjustments	-493	-35	-1	-3	X	-532	-	-	-	X	-	-532	-514
Collective adjustments	X	X	X	X	-110	-110	X	X	X	-14	-14	-124	-144
INSURANCE COMPANIES													
Net exposure	21	32	-	-	3,207	3,260	-	-	-	1,848	1,848	5,108	5,241
Individual adjustments	-16	-10	-	-	X	-26	-	-	-	X	-	-26	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-4	-4	-6	-5
NON-FINANCIAL COMPANIES													
Net exposure	4,165	8,152	2,163	1,490	212,338	228,308	124	627	210	88,210	89,171	317,479	337,882
Individual adjustments	-8,853	-2,068	-107	-128	X	-11,156	-51	-57	-11	X	-119	-11,275	-8,213
Collective adjustments	X	X	X	X	-2,023	-2,023	X	X	X	-213	-213	-2,236	-2,101
OTHER COUNTERPARTIES													
Net exposure	1,078	1,679	123	837	80,596	84,313	14	11	1	3,252	3,278	87,591	111,368
Individual adjustments	-1,729	-442	-1	-29	X	-2,201	-24	-1	-	X	-25	-2,226	-2,675
Collective adjustments	X	X	X	X	-284	-284	X	X	X	-19	-19	-303	-524

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

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	4,900	-9,364	400	-1,386	20	-79	10	-43	33	-222
A.2. Substandard loans	8,977	-2,197	1,297	-354	89	-38	3	-10	7	-1
A.3. Restructured exposures	2,039	-86	231	-13	23	-10	-	-	-	-
A.4. Past due exposures	2,237	-158	182	-2	10	-	-	-	-	-
A.5. Other exposures	321,336	-1,847	58,645	-503	7,008	-34	3,986	-17	3,680	-58
Total A	**339,489**	**-13,652**	**60,755**	**-2,258**	**7,150**	**-161**	**3,999**	**-70**	**3,720**	**-281**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	121	-44	5	-6	-	-	-	-2	13	-24
B.2. Substandard loans	519	-52	34	-4	99	-1	-	-	-	-
B.3. Other non-performing assets	212	-11	-	-	1	-	-	-	-	-
B.4. Other exposures	61,790	-170	55,414	-71	16,973	-6	817	-2	728	-4
Total B	**62,642**	**-277**	**55,453**	**-81**	**17,073**	**-7**	**817**	**-4**	**741**	**-28**
TOTAL (A+B) 31.12.2009	**402,131**	**-13,929**	**116,208**	**-2,339**	**24,223**	**-168**	**4,816**	**-74**	**4,461**	**-309**
TOTAL 31.12.2008	**412,995**	**-11,987**	**108,440**	**-1,710**	**31,154**	**-139**	**5,681**	**-57**	**6,968**	**-374**

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

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	1,683	-2,957	1,014	-2,014	1,064	-1,675	1,139	-2,718
A.2. Substandard loans	3,399	-802	2,116	-437	1,531	-390	1,931	-568
A.3. Restructured exposures	1,802	-48	130	-13	55	-21	52	-4
A.4. Past due exposures	713	-42	458	-40	490	-36	576	-40
A.5. Other exposures	128,650	-706	59,019	-381	89,956	-374	43,711	-386
Total A	**136,247**	**-4,555**	**62,737**	**-2,885**	**93,096**	**-2,496**	**47,409**	**-3,716**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	40	-4	19	-11	52	-8	10	-21
B.2. Substandard loans	170	-13	153	-3	110	-22	86	-14
B.3. Other non-performing assets	150	-8	26	-2	16	-1	20	-
B.4. Other exposures	25,949	-66	10,219	-39	21,033	-51	4,589	-14
Total B	**26,309**	**-91**	**10,417**	**-55**	**21,211**	**-82**	**4,705**	**-49**
TOTAL (A+B) 31.12.2009	**162,556**	**-4,646**	**73,154**	**-2,940**	**114,307**	**-2,578**	**52,114**	**-3,765**

B.4. Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	23	-71	1	-3	3	-3	-	-
A.2. Substandard loans	-	-	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	2	-	2	-	-	-	-	-	-	-
A.5. Other exposures	25,342	-4	22,798	-28	3,077	-9	3,052	-10	1,565	-
Total A	**25,344**	**-4**	**22,824**	**-100**	**3,079**	**-13**	**3,055**	**-13**	**1,565**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	3	-1	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	15,324	-	49,990	-7	4,979	-1	1,765	-10	300	-2
Total B	**15,324**	**-**	**49,990**	**-7**	**4,979**	**-1**	**1,768**	**-11**	**300**	**-2**
TOTAL (A+B) 31.12.2009	**40,668**	**-4**	**72,814**	**-107**	**8,058**	**-14**	**4,823**	**-24**	**1,865**	**-2**
TOTAL 31.12.2008	**29,897**	**-4**	**68,405**	**-52**	**4,676**	**-9**	**4,706**	**-11**	**2,819**	**-59**

B.5. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	-	-	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	2	-	-	-
A.5. Other exposures	10,539	-2	1,109	-	13,599	-2	95	-
Total A	**10,539**	**-2**	**1,109**	**-**	**13,601**	**-2**	**95**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	2,227	-	1,593	-	11,420	-	84	-
Total B	**2,227**	**-**	**1,593**	**-**	**11,420**	**-**	**84**	**-**
TOTAL (A+B) 31.12.2009	**12,766**	**-2**	**2,702**	**-**	**25,021**	**-2**	**179**	**-**

B.6. Large risks

Large risks	
a) Amount (millions of euro)	4,727
b) Number	1

C. SECURITISATIONS AND ASSET SALES

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

C.1. Securitisations

Qualitative information

In 2009, the Intesa Sanpaolo Group did not carry out any new securitisations.

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**176**	**176**	**27**	**27**	**119**	**116**
a) Non-performing	-	-	17	17	33	33
b) Other	176	176	10	10	86	83
B. Third party underlying assets	**4,383**	**4,382**	**445**	**439**	**45**	**45**
a) Non-performing	-	-	-	-	-	-
b) Other	4,383	4,382	445	439	45	45
Total	**4,559**	**4,558**	**472**	**466**	**164**	**161**

Part of the positions shown in the table above has been included within the structured credit products: 3,281 million euro of gross exposures and 3,262 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**13**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	13	13	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets (*)	**122**	**122**	**-**	**-**	**2**	**2**	**1,766**	**1,766** (**)	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	122	122	-	-	2	2	1,766	1,766	-	-	-	-
TOTAL	**135**	**135**	**-**	**-**	**2**	**2**	**1,766**	**1,766**	**-**	**-**	**-**	**-**

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

(**) The remaining 135 million euro of unused margins represent the difference between the total credit line granted of 1,901 million euro and the credit line used to issue securities of 1,766 million euro.

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**10**	**-**	**21**	**-26**	**72**	**12**
A.1 Intesa Lease Sec						
- performing leasing contracts	*2*	-	-	-	-	-
A.2 Intesa Sec 2						
- performing residential mortgages	*7*	-	*4*	-	*27*	-
A.3 Intesa Sec						
- performing mortgages	-	-	-	-	*7*	-
A.4 Intesa Sec Npl						
- doubtful mortgages	-	-	*17*	*-26*	*33*	*14*
A.5 Cr Firenze Mutui						
- performing mortgages	*1*	-	-	-	*5*	*-2*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**166**	**7**	**6**	**-**	**44**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*149*	*7*	-	-	*26*	-
C.2 Da Vinci						
- Loans to the aircraft sector	*1*	-	-	-	-	-
C.3 Split 2						
- performing leasing contracts	*16*	-	*6*	-	*18*	-
TOTAL	**176**	**7**	**27**	**-26**	**116**	**12**

The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold 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

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.1.3. Banking group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 AYT Cedulas						
- Residential mortgages	*263*	-	-	-	-	-
A.2 Cartesio						
- Loans to the health system	*101*	-	-	-	-	-
A.3 Cordusio RMBS Securitisation						
- Residential mortgages	*73*	-	*17*	-	-	-
A.4 D'Annunzio						
- Loans to the health system	*168*	-	-	-	-	-
A.5 Duchess (*)						
- CLOs	*159*	*42*	-	-	-	-
A.6 Euterpe (**)						
- Amounts due from tax authorities	*145*	-	-	-	-	-
A.7 Fondo Immobili Pubblici						
- Public property	*300*	*1*	-	-	-	-
A.8 Geldilux						
- Loans	*204*	-	*2*	-	-	-
A.9 Posillipo Finance						
- Loans to the health system	*188*	-	-	-	-	-
A.10 Rhodium (*)						
- Structure Finance CDOs	*50*	*-2*	-	-	-	-
A.11 Soc. Cart. Crediti INPS						
- Social security benefits	*279*	-	-	-	-	-
A.12 SUMMER STREET 2004-1 LTD (*)						
- Structure Finance CDOs	*56*	*-1*	-	-	-	-
A.13 Stone tower						
- CLOs (*)	*46*	*-9*	-	-	-	-
- CLOs	*10*	-	-	-	-	-
A.14 LOCAT SECURITISATION VEHICLE						
- Loans deriving from leasing contracts	*60*	-	*3*	-	*1*	-
A.15 TCW GLOBAL PROJECT FUND III						
- Project Finance loans	*571*	-	-	-	-	-
A.16 GSC PARTNERS CDO FUND LTD						
- Corporate loans	*143*	-	-	-	-	-
A.17 Portfolio of investment grade ABS securities subject to unitary management	*85*	-	-	-	-	-
A.18 Residual portfolio divided in 412 securities	1,481	1 (***)	417	-12 (****)	44	-1
TOTAL	**4,382**	**32**	**439**	**-12**	**45**	**-1**

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

(**) Exposure to Euterpe (with 102 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as Exposures to securitisations for prudential supervision purposes.

(***) Of which -6 million euro related to securities included in packages.

(****) Of which -3 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 412 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Credit cards	3	-	-	-	-	-
Consumer credit	81	1	7	-	-	-
Car loans	37	-	4	-	2	-
WL Collateral CMO	61	-	-	-	-	-
Loans to research	37	-	-	-	-	-
Project Finance loans	22	-	-	-	-	-
Financing for SMEs	201	-	28	-	2	-
Residential mortgages	518	5	188	-3	35	-1
Loans deriving from leasing contracts	70	2	7	-	-	-
Public property	8	-	4	-	-	-
Commercial mortgages	126	-	109	-5	5	-
Other assets	28	-	-	-	-	-
Long-term mortgages to public entities and industries	87	-	-	-	-	-
Other ABS (CLO-CMO-CFO)	39	-	55	-4	-	-
CDO cash	57	-1	12	-	-	-
Financial derivatives (foreign exchange rates/interest rate/index)	106	-6	3	-	-	-
TOTALE	**1,481**	**1**	**417**	**-12**	**44**	**-1**

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	*122*	-	-	-	-	-	*1,766*	- (*)	-	-	-	-
A.3 Other minor												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
Total	**122**	**-**	**-**	**-**	**2**	**-**	**1,766**	**-**	**-**	**-**	**-**	**-**

(*) The remaining 135 million euro of unused margins represent the difference between the total credit line granted of 1,901 million euro and the credit line used to issue securities of 1,766 million euro.

C.1.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	905	62	10	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	87	19	45	-	-	-
Investments held to maturity	117	-	-	-	-	-
Loans (**)	3,283	379	62	1,901	-	2
Total 31.12.2009	**4,392**	**460**	**117**	**1,901**	**-**	**2**
Total 31.12.2008	**5,177**	**723**	**127**	**13**	**844**	**2**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 216 million euro. No off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised are recorded as at 31 December 2009.

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

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

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**1,228**	**-**
A.1 Fully derecognised	297	X
1. Doubtful loans	*60*	X
2. Substandard loans	*1*	X
3. Restructured exposures	-	X
4. Past due exposures	*2*	X
5. Other assets	*234*	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	931	-
1. Doubtful loans	*8*	-
2. Substandard loans	*11*	-
3. Restructured exposures	-	-
4. Past due exposures	*5*	-
5. Other assets	*907*	-
B. Third party underlying assets	**700**	**85**
B.1. Doubtful loans	2	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	2	-
B.5. Other assets	696	85

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

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

(*) The company ISP Sec 4 was not operative as at 31 December 2009.

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

Servicer	Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	3	5	-	12	-	100%	-	99%	-	-
Intesa Sanpaolo	Intesa Sec 2	9	327	1	165	-	87%	-	-	-	-
Intesa Sanpaolo	Intesa Sec 3	28	1,933	4	543	-	46%	-	-	-	-
Italfondiario	Intesa Sec NPL	58	8	29	-	100%	-	44%	-	-	-
Leasint	Intesa Lease Sec	11	111	5	124	-	98%	-	-	-	-
Leasint	Split 2	16	348	2	271	-	81%	-	-	-	-
CR Firenze	Cr Firenze Mutui	2	140	-	53	-	78%	-	-	-	-
Total		**127**	**2,872**	**41**	**1,168**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(millions of euro)

A. Securitised assets			**8**
A.1 Loans		7	
- loans outstanding	*5*		
- past due loans	*2*		
A.2 Securities		-	
A.3 Other assets		1	
- accrued income on IRS	-		
- other loans	*1*		
B. Investments of the funds collected from loan management			**6**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		6	
C. Securities issued			**11**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		3	
C.4 Class C		8	
D. Financing received			**-**
E. Other liabilities			**1**
E.1 Due to Parent Company		-	
E.2 Accrued expenses – interest on securities issued		-	
E.3 Accrued expenses on IRS		-	
E.4 "Additional return" allowance		1	
F. Interest expense on securities issued			**-**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**1**
H.1 Interest expense		1	
H.2 Additional return		-	
I. Interest income on securitised assets			**1**
L. Other revenues			**1**
L.1 Interest income		1	

Intesa Sec 2

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**336**
A.1 Loans		325	
- loans outstanding	*310*		
- past due loans	*15*		
A.2 Securities		-	
A.3 Other assets		11	
- accrued income on IRS	*1*		
- suspended items for DPP	*3*		
- tax credits	*7*		
B. Investments of the funds collected from loan management			**63**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		63	
C. Securities issued			**348**
C.1 Class A1		-	
C.2 Class A2		246	
C.3 Class B		41	
C.4 Class C		61	
D. Financing received			**19**
E. Other liabilities			**8**
E.1 Due to Parent Company		2	
E.2 Other DPP liabilities		4	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		2	
F. Interest expense on securities issued			**10**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**29**
H.1 Interest expense		24	
H.2 Cost of liquidation DPP of the period		5	
I. Interest income on securitised assets			**22**
L. Other revenues			**15**
L.1 Interest income		15	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,961**
A.1 Loans		1,955	
- loans outstanding	*1,920*		
- past due loans	*35*		
A.2 Securities		-	
A.3 Other assets		6	
- accrued income on IRS	*5*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**149**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		149	
C. Securities issued			**2,029**
C.1 class A1		-	
C.2 Class A2		936	
C.3 Class A3		947	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**23**
E. Other liabilities			**53**
E.1 Due to Parent Company		1	
E.2 "Additional return" allowance		39	
E.3 Accrued expenses – interest on securities issued		3	
E.4 Accrued expenses on IRS		10	
F. Interest expense on securities issued			**41**
G. Commissions and fees			**3**
G.1 Servicing		3	
G.2 Securities placement commissions		-	
H. Other expenses			**107**
H.1 Interest expense		81	
H.2 Additional return		26	
I. Interest income on securitised assets			**90**
L. Other revenues			**53**
L.1 Interest income		52	
L.2 Revenues from penalties for advanced extinguishment and other		1	

Intesa Sec Npl

Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets			**66**
A.1 Loans		60	
- loans outstanding	*1*		
- past due loans	*57*		
- loans for overdue interest	*2*		
A.2 Securities		-	
A.3 Other assets		6	
- cap option premium paid	*5*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**16**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		16	
C. Securities issued			**158**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		-	
C.4 Class D		117	
C.5 Class E		41	
D. Financing received			**3**
E. Other liabilities			**13**
E.1 Amounts due for services rendered		3	
E.2 Accrued expenses – interest on securities issued		6	
E.3 Other accrued expenses		3	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Other services		-	
H. Other expenses			**23**
H.1 Interest expense		6	
H.2 Other expenses		3	
H.3 Losses on overdue interest		4	
H.4 Forecasted losses on loans		1	
H.5 Forecasted losses on loans		9	
I. Interest income on securitised assets			**-**
L. Other revenues			**8**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		8	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**364**
A.1 Loans	364	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**93**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	93	
C. Securities issued		**443**
C.1 Class A	317	
C.2 Class B	63	
C.3 Class C	45	
C.4 Class D	18	
D. Financing received		**-**
E. Other liabilities		**13**
F. Interest expense on securities issued		**11**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**12**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

A. Securitised assets			**122**
A.1 Loans		122	
- principal	*111*		
- credits for invoiced leasing instalments	*11*		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**29**
B.1 Debt securities		23	
B.2 Equities		-	
B.3 Liquidity		6	
C. Securities issued			**132**
C.1 Class A1		-	
C.2 Class A2		9	
C.3 Class A3		17	
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			**4**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**10**
H.1 Interest expense		4	
H.2 Other expenses		1	
H.3 Losses on loans		-	
H.4 Forecasted losses on loans		1	
H.5 Additional return		4	
I. Interest income on securitised assets			**8**
L. Other revenues			**4**
L.1 Interest income		3	
L.2 Write-backs		1	
L.3 Other revenues		-	

CR Firenze Mutui
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**142**
A.1 Loans	142	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**15**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	15	
C. Securities issued		**147**
C.1 Class A	103	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		**10**
F. Interest expense on securities issued		**5**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**2**
I. Interest income on securitised assets		**8**
L. Other revenues		**-**

C.2. Sales

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

(millions of euro)

	Cash assets				Derivatives	31.12.2009		31.12.2008	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**7,957**	**-**	**-**	**-**	**-**	**7,957**	**-**	**3,040**	**-**
- Financial assets sold totally recognised (book value)	7,957	-	-	-	-	7,957	-	3,040	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**10**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	10	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**4,308**	**-**	**-**	**-**	**X**	**4,308**	**-**	**3,349**	**-**
- Financial assets sold totally recognised (book value)	4,308	-	-	-	X	4,308	-	3,349	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**25**	**X**	**X**	**-**	**X**	**25**	**-**	**596**	**-**
- Financial assets sold totally recognised (book value)	25	X	X	-	X	25	-	596	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**359**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	359	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**4**	**X**	**X**	**364**	**X**	**368**	**-**	**2,407**	**-**
- Financial assets sold totally recognised (book value)	4	X	X	364	X	368	-	2,407	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2009	**12,294**	**-**	**-**	**364**	**-**	**12,658**	**-**	**X**	**X**
Total 31.12.2008	**9,712**	**-**	**-**	**49**	**-**	**X**	**X**	**9,761**	**-**

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

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

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total 31.12.2009	Total 31.12.2008
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	2,305	-	4,746	-	-	-	7,051	9,098
Financial assets measured at fair value	-	-	-	-	-	-	-	8
Financial assets available for sale	78	-	-	-	-	-	78	1,381
Investments held to maturity	-	-	16	-	-	-	16	408
Due from banks	255	-	-	-	-	-	255	-
Loans to customers	397	-	-	-	2,029	-	2,426	3,160
Total	**3,035**	**-**	**4,762**	**-**	**2,029**	**-**	**9,826**	**14,055**

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

C.3. Banking group - Covered bond transactions

In order to prudentially enhance its already broad availability of eligible assets for central banks, in May 2009 Banca Infrastrutture Innovazione e Sviluppo (BIIS) sold a portfolio of performing public sector loans to the ISP CB Pubblico Special Purpose Vehicle for a nominal value of around 3.6 billion euro and issued a subordinated loan to the vehicle of around 3.8 billion euro for payment of the sale. In accordance with IAS 39, this transaction, aimed at the issue of Covered Bonds by Intesa Sanpaolo, did not represent a sale without recourse for accounting purposes because BIIS retained all the risks and rewards connected to the loans sold. In accordance with the Bank of Italy provisions governing Covered Bond issues where the originator and the lender are the same entity, BIIS consolidated the separate assets of the vehicle, provided as security for the issue, within its financial statements.
At the end of July 2009, Intesa Sanpaolo completed a programme for the issue of 10 billion euro of Covered Bonds. Under this programme an issue was made for 3 billion euro, with a maturity in 2011, a listing on the Luxembourg Stock Exchange and a Aaa rating from Moody’s.
These bonds, with a floating rate linked to the 6-month Euribor, 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 key figures for ISP CB Pubblico as at 31 December 2009 are shown in the table below.

(millions of euro)

COVERED BONDS		Vehicle data		Liquidity lines		Guarantees given		Covered bonds issued (2)	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing mortgages	3,887	-	3,790	3,790	-	-	3,000	3,000	Loans	Amortised cost

(1) The item includes the subordinated loan granted by BIIS to ISP CB Pubblico for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant BIIS financial statements and Intesa Sanpaolo Group consolidated financial statements.

(2) The securities included in the first tranche of the covered bonds transaction were issued by Intesa Sanpaolo and purchased in full by BIIS.

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

As at 31 December 2009, the expected loss on core banks (Basel 2 scope of validation) amounted to 0.56% of disbursed loans, a 10 basis points increase on the figure as at the end of 2008.
This increase reflects the general deterioration in credit quality caused by the ongoing crisis, which has led to a structural increase in the cost of credit.
The economic capital corresponded to 4.2% of disbursed loans, an increase of 0.7% compared to the figure in 2008.

1.2. BANKING GROUP - MARKET RISKS

In the Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Statutory Bodies, with the support of specific committees, including the Group Risk Governance Committee and Group Financial Risks Committee.

The Group Risk Governance Committee's responsibilities include the proposal to the Statutory bodies of the Group risk management strategies and policies aimed at ensuring compliance with the guidelines and instructions of the Supervisory authority on risk governance and the assessment of the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.

The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and on the basis of the coordination action of the Group Risk Governance Committee.

The Group's overall financial risk profile and the opportune interventions aimed at changing it are examined periodically by the Group Financial Risks Committee.

The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. Risk Management is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

REGULATORY TRADING BOOK
1.2.1. INTEREST RATE RISK AND PRICE RISK

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

QUALITATIVE INFORMATION

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity 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;
– equity and market indices;
– 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 portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation

For some of the abovementioned risk factors, the Supervisory authority validated the internal models for the regulatory measurement of capital absorption of both Intesa Sanpaolo (internal model extended during 2007 to the books of the former Sanpaolo IMI Finance Department) and Banca IMI (the internal model, previously validated for the former Banca Caboto component, was extended, in the first quarter of 2008, to the former Banca IMI portfolios).

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 UCI solely with reference to the quotas in CPPI (Constant Proportion Portfolio Insurance) for Banca IMI, and iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo.

From the third quarter of 2009 the scope of the validated risk profiles was extended to dividend derivatives for Intesa Sanpaolo and Banca IMI.

Operating VaR

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).

VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.

The 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.

Incremental Risk Charge (IRC)

The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risks.

Stress tests

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied weekly to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters such as a one basis point increase in interest rates.

Level measures

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

QUANTITATIVE INFORMATION

Daily VaR evolution

During the fourth quarter of 2009 market risks originated by Intesa Sanpaolo and Banca IMI decreased compared to the previous periods. The average daily VaR for the fourth quarter of 2009 was 31.9 million euro, down 12% on the third quarter.

With regard to the whole of 2009, the average risk profile (40.6 million euro) decreased compared to the average values in 2008 (47.8 million euro).

Daily operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2009 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	21.8	18.8	26.2	25.8	27.9	32.3
Banca IMI	10.1	7.2	12.7	10.6	15.7	18.0
Total	**31.9**	**27.1**	**38.1**	**36.4**	**43.6**	**50.3**

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

Daily operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison 2009-2008 [(a)]

(millions of euro)

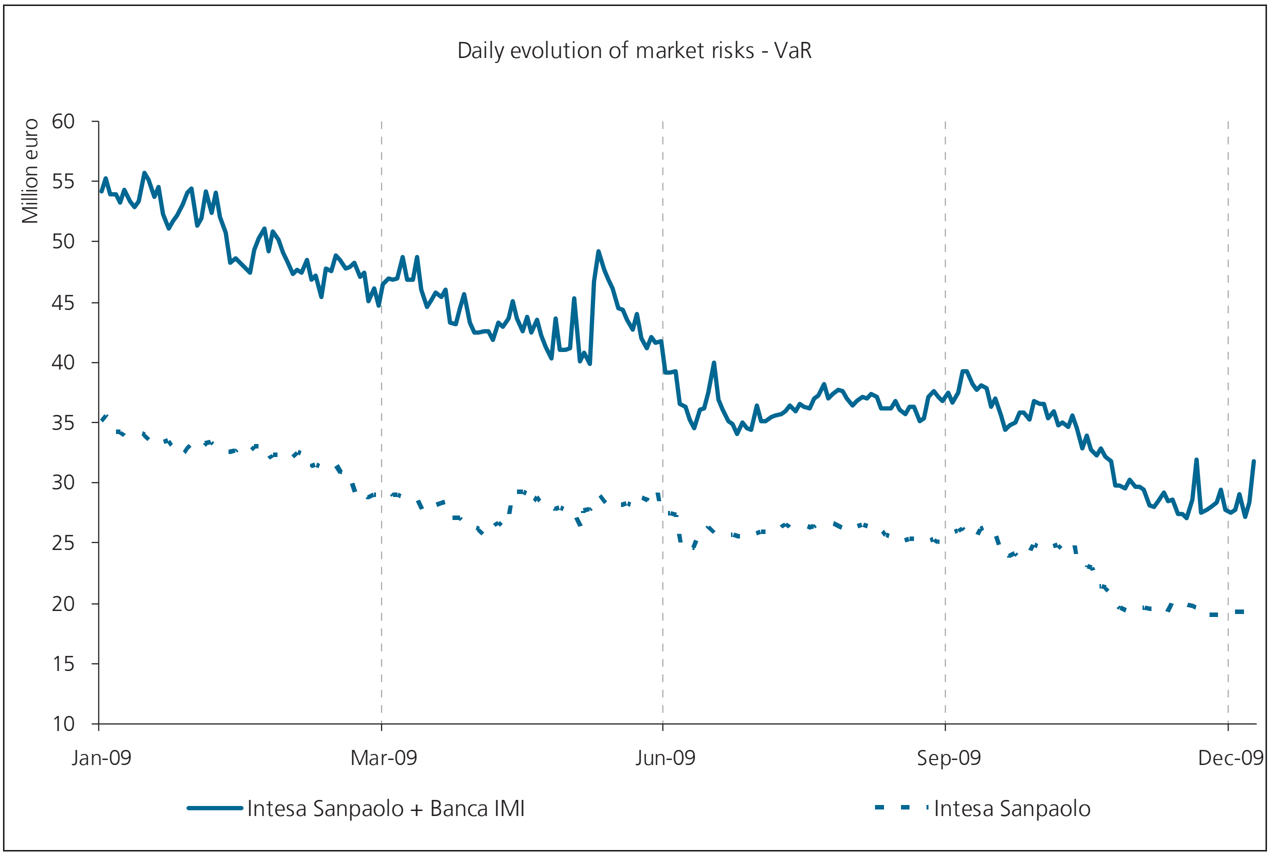
	2009				2008		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	26.9	18.8	35.6	19.2	35.2	25.7	46.8
Banca IMI	13.7	7.2	21.7	12.6	12.5	6.4	21.2
Total	**40.6**	**27.1**	**55.6**	**31.8**	**47.8**	**33.1**	**67.4**

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

Both Intesa Sanpaolo and Banca IMI saw a drop in VaR, primarily from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact on volatilities on historic simulation scenarios.

As mentioned in part A.3 of the Notes to the consolidated financial statements, in October 2008 and during the year 2009, certain highly illiquid securities (mainly ABS) and positions resulting from unfunded structures were reclassified to the loan portfolio.

The average VaR in the fourth quarter of 2009 for this portfolio, not included in the VaR limit monitoring and in the above statistics, was approximately 9.2 million euro.



Breakdown of Intesa Sanpaolo's risk profile in the fourth quarter of 2009 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 67% of total operating VaR. Interest rate risk was the most significant component for Banca IMI, representing 37% of the total.

Contribution of risk factors to overall VaR [a]

4th quarter 2009	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters
Intesa Sanpaolo	10%	67%	6%	4%	1%	12%
Banca IMI	18%	0%	37%	18%	5%	22%
Total	**13%**	**40%**	**18%**	**10%**	**3%**	**16%**

[a] The table sets out on every line the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to the portfolio [a]

	31.12.2009	31.12.2008
- Catalyst Driven	1%	2%
- Credit	72%	44%
- Directional trading	4%	6%
- Equity hedged	9%	22%
- Fixed Income Arbitrage	12%	16%
- Multi-strategy	1%	5%
- Volatility	1%	5%
Total hedge funds	**100%**	**100%**

[a] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In order to optimise the risk/return profile, a new asset allocation was adopted in 2009, which led to the abandonment of certain strategies with greater links to the markets and the increase in strategies linked to distressed credit.

Risk control with regard to the trading activities of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December are summarised in the following table.

(millions of euro)

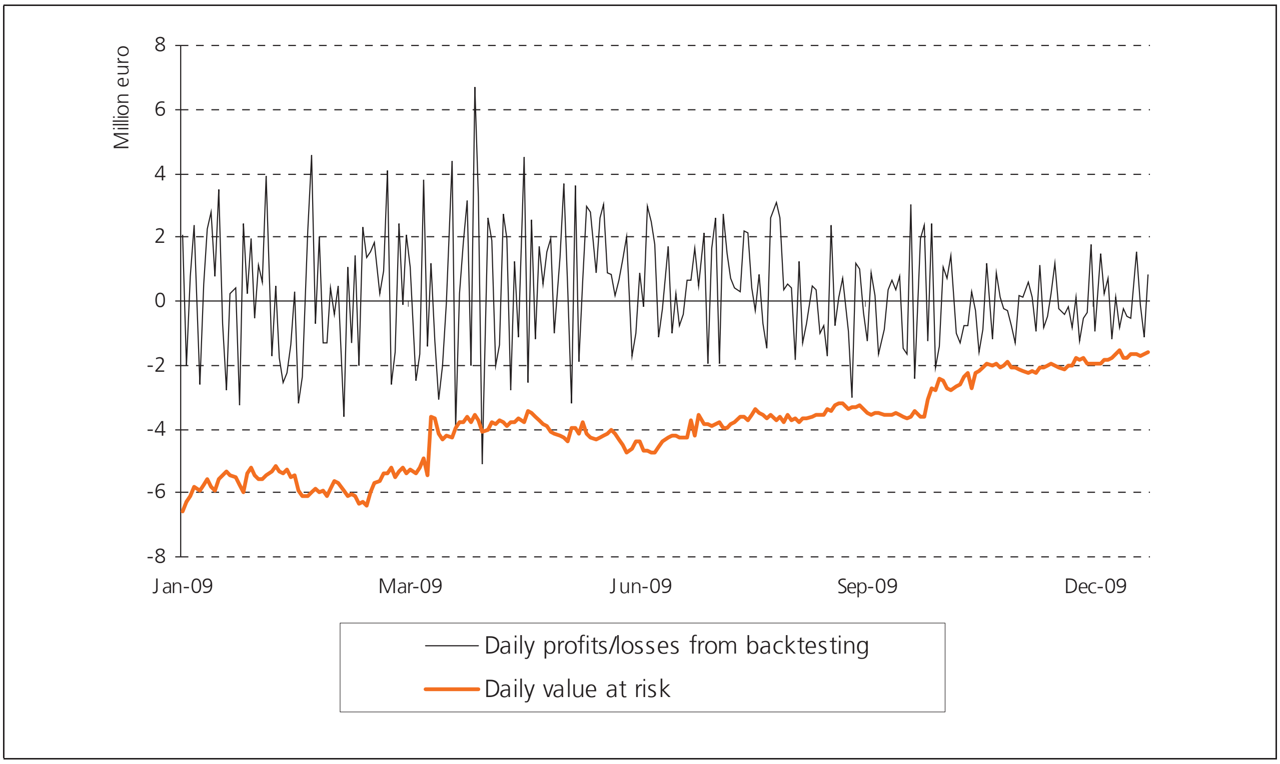
	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	0	0	14	-13	21	-22	2	1	5	-2
of which SCP					*6*	*-6*				

In particular:
- for stock market positions both scenarios have insignificant impacts;
- for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 13 million euro loss, whereas a parallel -25 basis point shift would have led to a 14 million euro gain;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 22 million euro loss, of which 6 million euro attributable to structured credit products;
- with reference to exposures on foreign exchange markets, the portfolio's position was essentially protected from both devaluation and revaluation of the euro;
- lastly, on commodity exposures a 2 million euro loss would have been recorded had there been a 50% increase in prices.

Backtesting
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

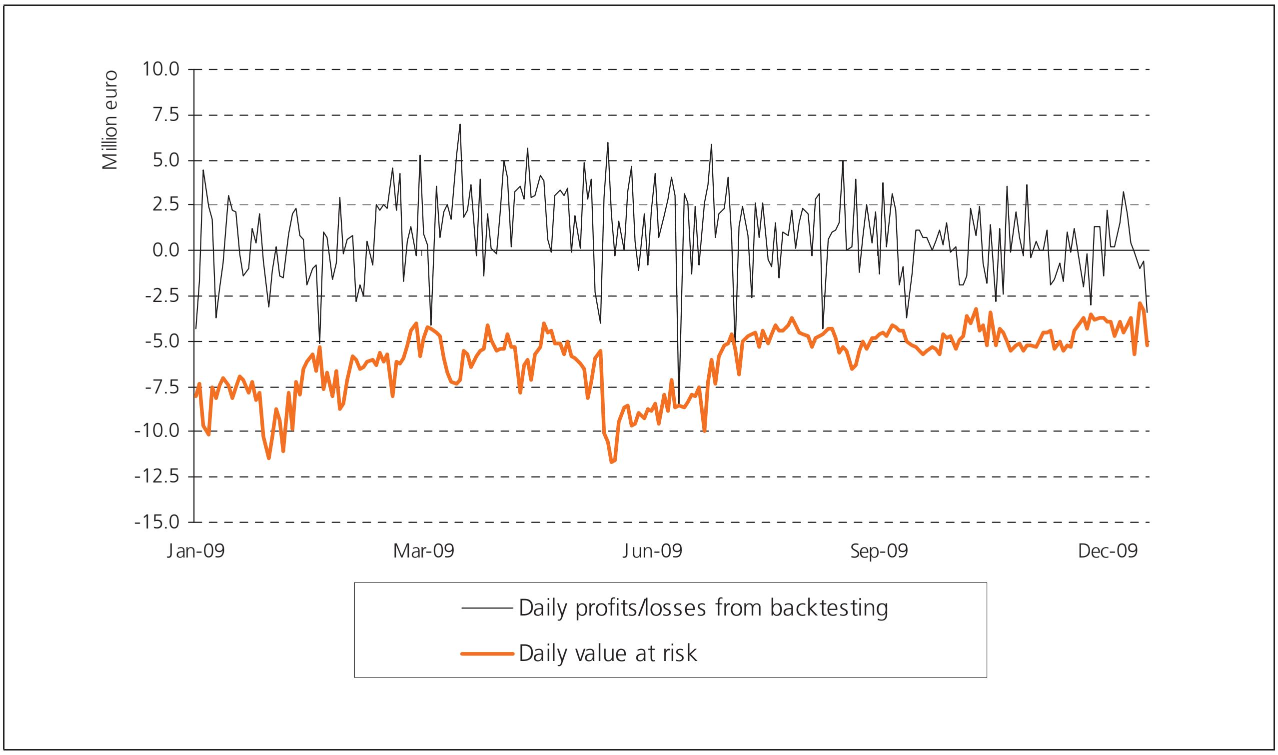
Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate.

Backtesting in Intesa Sanpaolo
Intesa Sanpaolo's regulatory backtesting, shown in the following graph, found two cases where the daily losses from backtesting were higher than the VaR estimate. These excesses, which occurred in April 2009, were due to the volatility of the spreads in credit default swaps.



Backtesting in Banca IMI

Banca IMI's regulatory backtesting, shown in the following graph, did not reveal any critical situations.



Issuer risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and it is monitored through a system of operating limits based on both rating classes and concentration indices.

Breakdown of exposures by type of issuer/rating class for Intesa Sanpaolo and Banca IMI [(a)]

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	44%	-36%	84%	15%	34%	3%
Banca IMI	56%	-14%	67%	-3%	12%	38%
Total	**100%**	**-24%**	**74%**	**5%**	**22%**	**23%**

[(a)] The table sets out in the Total column the contribution of Intesa Sanpaolo and Banca IMI to issuer risk exposures. The other columns indicate percentage breakdown by type of issuer.

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the financial segment.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction described below.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

– first level limits are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee.
– second level limits have the objective of controlling operations of the various desks according to differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the fourth quarter of 2009, the Management Board resolved a new VaR limit for the Group of 63 million euro, a decrease compared to the previous 75 million euro.
In a very turbulent financial environment, which reached its peak with the Lehman Brothers bankruptcy, the increase in the VaR limit resolved in 2008 achieved the primary goal of ensuring the continued efficiency of operations and the business without generating the need for forced sales resulting from automatic compliance with the set limits.
In view of the change in the economic situation, in 2009 the Group decided to reset its limits, with a reduction in the VaR limit for trading as mentioned above.
A new overall VaR limit for the Group of 40 million euro was also introduced for assets classed as AFS.
The introduction of this new limit is aimed at monitoring the volatility of shareholders' equity and will therefore influence the size and quality of this portfolio for the risk based Group companies.
The use of VaR limits in Intesa Sanpaolo (held for trading component), in the component sub-allocated to the organisational units, averaged 62% in 2009, with a maximum use of 79%. In Banca IMI, VaR operating limits averaged 62%, with a maximum use of 98%.
In the light of these new limits, the use of VaR operating limits on the AFS component at year end was 58%.

At the end of 2009, the Group Financial Risks Committee also introduced limits for the Incremental Risk Charge, set at 220 million euro for Intesa Sanpaolo and 150 million euro for Banca IMI. The use of the IRC limits at year end amounted to 17% for Intesa Sanpaolo and 10% for Banca IMI.

BANKING BOOK
1.2.2 INTEREST RATE RISK AND PRICE RISK

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management processes and measurement methods
Market risk originated by the banking book arises primarily in the Parent Company and the main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points in the interest rate curve. The measurements include an estimate of the prepayment and the risk originated by customer loans and deposits on demand, whose features of stability and partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. For the equity risk, the sensitivity analysis measures the impact of a price shock of ±10%.
The sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging
Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by the Bank 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 Bank 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, 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 compliance with international accounting standards.
During the year no hedges were implemented to cover the price risk of the banking book.

D. Hedging of foreign investments
For equity investments in Group companies held in foreign currencies, risk hedging policies are assessed by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.
During the year foreign exchange hedges were implemented against the exchange risk on gains in foreign currency generated by the Parent Company's foreign branches.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

The sensitivity of the interest margin – assuming a 100 basis point increase in interest rates – amounted to +119 million euro (-120 million euro in the event of reduction) at the end of 2009; these values are in line with the 2008 year-end figures (+102 million euro and -92 million euro, respectively, in the event of an increase/decrease in interest rates).
The aforesaid potential impact would be reflected, in case of invariance of the other income components and net of fiscal effects, also in the Bank's year-end profit/loss, taking into account the abovementioned assumptions concerning the measurement method.
In 2009, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 485 million euro with a year-end figure of 560 million euro, almost entirely concentrated on the euro currency; these figures compare with a figure of 484 million euro at the end of 2008.
Interest rate risk, measured in terms of VaR, averaged 148 million euro in 2009 (177 million euro at the end of 2008), with a minimum value of 86 million euro and a maximum value of 178 million euro. At the end of December 2009 VaR totalled 131 million euro.
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2009 of 138 million euro (120 million euro at the end of 2008), with minimum and maximum values of 87 million euro and 180 million euro respectively. The VaR at the end of 2009 amounted to 126 million euro.
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

Impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	-10%	-82
Price shock	10%	82

1.2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

A. General aspects, foreign exchange risk management processes and measurement methods

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:
- foreign currency loans and deposits held by corporate and retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of foreign branches and subsidiaries;
- trading of foreign currencies and banknotes;
- collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.
Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimising the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.
The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company's Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the various Group companies for their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
Held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(millions of euro)

	Currencies					
	US dollar	**GB pound**	**Swiss franc**	**Yen**	**Egyptian pound**	**Other currencies**
A. FINANCIAL ASSETS	**22,956**	**3,034**	**5,646**	**2,372**	**3,019**	**12,390**
A.1 Debt securities	4,642	1,129	263	644	748	2,901
A.2 Equities	623	132	9	8	59	128
A.3 Loans to banks	6,253	376	333	896	695	2,440
A.4 Loans to customers	11,438	1,397	5,041	824	1,517	6,921
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**6,169**	**1,047**	**35**	**85**	**42**	**479**
C. FINANCIAL LIABILITIES	**43,900**	**6,245**	**1,582**	**1,005**	**2,657**	**9,606**
C.1 Due to banks	8,849	495	407	39	17	1,396
C.2 Due to customers	8,008	1,638	959	297	2,365	7,410
C.3 Debt securities	27,041	4,112	216	660	275	793
C.4 Other financial liabilities	2	-	-	9	-	7
D. OTHER LIABILITIES	**1,532**	**498**	**20**	**57**	**86**	**342**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*531*	*56*	*3*	*156*	-	*73*
short positions	*958*	*70*	*11*	*153*	-	*81*
- Other derivatives						
long positions	*41,808*	*6,799*	*959*	*2,378*	-	*8,164*
short positions	*25,225*	*3,932*	*4,989*	*3,760*	-	*8,503*
TOTAL ASSETS	**71,464**	**10,936**	**6,643**	**4,991**	**3,061**	**21,106**
TOTAL LIABILITIES	**71,615**	**10,745**	**6,602**	**4,975**	**2,743**	**18,532**
IMBALANCE (+/-)	**-151**	**191**	**41**	**16**	**318**	**2,574**

The 2,574 million euro imbalance in "Other currencies" is affected by net assets of foreign subsidiaries denominated in local currency, whose changes, until disposal, impact solely on the Group's Shareholders' equity.This imbalance is mainly attributable to the Croatian kuna and the Hungarian forint.

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 124 million euro as at 31 December 2009. This potential impact would only be reflected in the Shareholders' Equity, as specified above.

1.2.4. DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional amounts

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,546,798**	**354,565**	**2,560,452**	**491,222**
a) Options	440,872	204,509	510,159	374,906
b) Swaps	2,105,572	-	2,045,629	-
c) Forwards	328	144	2,656	7,382
d) Futures	-	149,912	-	108,934
e) Others	26	-	2,008	-
2. Equities and stock indices	**52,243**	**12,640**	**32,383**	**19,297**
a) Options	51,776	11,966	32,086	18,677
b) Swaps	359	-	297	-
c) Forwards	108	-	-	-
d) Futures	-	674	-	620
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**79,229**	**13**	**111,867**	**3**
a) Options	6,580	-	8,759	-
b) Swaps	24,735	-	27,481	-
c) Forwards	47,646	-	74,317	-
d) Futures	-	13	-	3
e) Others	268	-	1,310	-
4. Commodities	**1,163**	**821**	**607**	**199**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,679,433**	**368,039**	**2,705,309**	**510,721**
AVERAGE VALUES	**2,692,371**	**439,380**	**2,321,704**	**347,537**

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**243,294**	**-**	**89,662**	**149**
a) Options	4,017	-	7,478	-
b) Swaps	239,277	-	82,184	-
c) Forwards	-	-	-	149
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**553**	**-**
a) Options	-	-	553	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**4,314**	**-**	**3,481**	**-**
a) Options	-	-	-	-
b) Swaps	4,277	-	3,378	-
c) Forwards	37	-	103	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**247,608**	**-**	**93,696**	**149**
AVERAGE VALUES	**170,652**	**75**	**147,379**	**-**

A.2.2. Other derivatives

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**4,284**	**-**	**12,322**	**-**
a) Options	2,296	-	11,935	-
b) Swaps	1,988	-	387	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**4,196**	**-**	**7,238**	**-**
a) Options	4,196	-	7,238	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,127**	**-**	**73**	**-**
a) Options	-	-	6	-
b) Swaps	280	-	14	-
c) Forwards	2,847	-	53	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**11,607**	**-**	**19,633**	**-**
AVERAGE VALUES	**15,620**	**-**	**16,066**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments and the derivatives used to hedge debt securities measured at fair value through profit and loss.

A.3. Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**34,351**	**581**	**39,387**	**718**
a) Options	5,295	581	4,948	716
b) Interest rate swaps	26,345	-	29,833	-
c) Cross currency swaps	1,874	-	1,776	-
d) Equity swaps	39	-	203	-
e) Forwards	687	-	198	-
f) Futures	-	-	-	-
g) Others	111	-	2,429	2
B. Banking book - hedging	**6,991**	**-**	**2,183**	**-**
a) Options	239	-	511	-
b) Interest rate swaps	6,586	-	1,162	-
c) Cross currency swaps	165	-	161	-
d) Equity swaps	-	-	74	-
e) Forwards	1	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	275	-
C. Banking book - other derivatives	**551**	**-**	**619**	**-**
a) Options	209	-	6	-
b) Interest rate swaps	316	-	613	-
c) Cross currency swaps	3	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	23	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,893**	**581**	**42,189**	**718**

A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**36,272**	**481**	**38,956**	**825**
a) Options	6,126	481	5,257	819
b) Interest rate swaps	27,124	-	27,844	-
c) Cross currency swaps	2,297	-	1,720	-
d) Equity swaps	38	-	220	-
e) Forwards	567	-	60	-
f) Futures	-	-	-	-
g) Others	120	-	3,855	6
B. Banking book - hedging	**5,054**	**-**	**1,970**	**-**
a) Options	199	-	4	-
b) Interest rate swaps	4,340	-	1,466	-
c) Cross currency swaps	515	-	26	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	3	-
f) Futures	-	-	-	-
g) Others	-	-	471	-
C. Banking book - other derivatives	**518**	**-**	**1,343**	**-**
a) Options	459	-	687	-
b) Interest rate swaps	33	-	526	-
c) Cross currency swaps	1	-	-	-
d) Equity swaps	-	-	130	-
e) Forwards	25	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,844**	**481**	**42,269**	**825**

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	200	4,436	43,752	23,754	9,482	40,323	13,298
- positive fair value	5	342	384	444	52	1,610	26
- negative fair value	-	40	714	258	130	99	606
- future exposure	-	40	310	154	3	178	8
2. Equities and stock indices							
- notional amount	-	-	12,582	1,806	8,006	94	2,394
- positive fair value	-	-	39	37	4	13	1
- negative fair value	-	-	8	73	106	50	160
- future exposure	-	-	31	36	3	6	1
3. Foreign exchange rates and gold							
- notional amount	-	143	9,926	7,896	231	5,972	1,107
- positive fair value	-	-	85	136	4	289	9
- negative fair value	-	39	365	90	-	73	9
- future exposure	-	11	105	85	2	134	1
4. Other values							
- notional amount	-	-	5	1	-	697	3
- positive fair value	-	-	-	-	-	20	-
- negative fair value	-	-	-	-	-	52	-
- future exposure	-	-	-	-	-	19	-

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	150	-	1,868,912	541,475	102	914	-
- positive fair value	-	-	25,900	1,569	-	27	-
- negative fair value	7	-	27,606	2,502	10	3	-
2. Equities and stock indices							
- notional amount	-	-	21,196	6,074	74	17	-
- positive fair value	-	-	751	280	4	7	-
- negative fair value	-	-	579	239	4	-	-
3. Foreign exchange rates and gold							
- notional amount	694	8	47,555	3,915	404	1,373	5
- positive fair value	447	-	1,342	57	155	228	-
- negative fair value	-	-	1,913	499	-	10	-
4. Other values							
- notional amount	-	-	381	50	-	26	-
- positive fair value	-	-	78	5	-	-	-
- negative fair value	-	-	27	-	-	1	-

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	68,532	361	-	33	1,974
- positive fair value	-	-	751	3	-	-	-
- negative fair value	-	-	1,901	112	-	2	25
- future exposure	-	-	22	1	-	-	-
2. Equities and stock indices							
- notional amount	-	-	3,364	88	-	13	79
- positive fair value	-	-	1	-	-	-	-
- negative fair value	-	-	437	-	-	-	1
- future exposure	-	-	2	4	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,703	113	-	8	-
- positive fair value	-	-	91	1	-	-	-
- negative fair value	-	-	60	-	-	-	-
- future exposure	-	-	53	9	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	167,286	9,392	-	-	-
- positive fair value	-	-	6,227	250	-	-	-
- negative fair value	-	-	2,221	332	-	-	-
2. Equities and stock indices							
- notional amount	-	-	441	211	-	-	-
- positive fair value	-	-	53	66	-	-	-
- negative fair value	-	-	1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,590	27	-	-	-
- positive fair value	-	-	96	3	-	-	-
- negative fair value	-	-	481	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9. Residual maturity of over the counter financial derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**1,171,525**	**950,240**	**557,668**	**2,679,433**
A.1 Financial derivatives on debt securities and interest rates	1,104,570	896,363	545,865	2,546,798
A.2 Financial derivatives on equities and stock indices	6,966	38,725	6,552	52,243
A.3 Financial derivatives on foreign exchange rates and gold	59,345	14,633	5,251	79,229
A.4 Financial derivatives - other	644	519	-	1,163
B. Banking book	**97,686**	**99,585**	**61,944**	**259,215**
B.1 Financial derivatives on debt securities and interest rates	93,898	94,088	59,592	247,578
B.2 Financial derivatives on equities and stock indices	97	2,664	1,435	4,196
B.3 Financial derivatives on foreign exchange rates and gold	3,691	2,833	917	7,441
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2009	**1,269,211**	**1,049,825**	**619,612**	**2,938,648**
Total 31.12.2008	**1,243,082**	**908,270**	**667,286**	**2,818,638**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(millions of euro)

	Regulatory trading book		Banking book	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	29,162	54,809	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	194	-	-	-
- Others	-	-	-	-
Total 31.12.2009	**29,356**	**54,809**	**-**	**-**
Average values	**31,778**	**46,661**	**-**	**-**
Total 31.12.2008	**34,199**	**38,513**	**573**	**-**
2. Protection sales				
- Credit default products	25,914	55,725	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	287	-	-	-
- Others	15	54	-	-
Total 31.12.2009	**26,216**	**55,779**	**-**	**-**
Average values	**30,035**	**48,305**	**-**	**39**
Total 31.12.2008	**33,853**	**40,830**	**-**	**78**

Part of the contracts in force as at 31 December 2009, shown in the table above, has been included within the structured credit products, namely: 1,359 million euro of protection purchases and 2,128 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the market risks chapter in this Part of the Notes to the consolidated financial statements.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**2,386**	**4,504**
a) Credit default products	2,084	4,504
b) Credit spread products	-	-
c) Total rate of return swap	302	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,386**	**4,504**

Part of the positive fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 430 million euro, almost entirely attributable to positions taken to hedge the exposure in structured credit products.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**2,722**	**1,894**
a) Credit default products	2,426	1,894
b) Credit spread products	-	-
c) Total rate of return swap	296	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,722**	**1,894**

Part of the positive fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 730 million euro almost entirely attributable to exposures not included within the US subprime category.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	39	3,482	3,194	-	-	-
- positive fair value	-	37	93	64	-	-	-
- negative fair value	-	-	9	18	-	-	-
- future exposure	-	4	276	225	-	-	-
2. Protection sales							
- notional amount	-	-	3,630	3,354	-	-	-
- positive fair value	-	-	10	310	-	-	-
- negative fair value	-	-	118	274	-	-	-
- future exposure	-	-	739	554	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	53,430	24,020	-	-	-
- positive fair value	-	-	423	132	-	-	-
- negative fair value	-	-	1,021	631	-	-	-
2. Protection sales							
- notional amount	-	-	53,109	21,902	-	-	-
- positive fair value	-	-	770	547	-	-	-
- negative fair value	-	-	484	167	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6. Residual maturity of credit derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**19,232**	**134,331**	**12,597**	**166,160**
A.1 Credit derivatives with "qualified reference obligation"	10,803	117,072	8,970	136,845
A.2 Credit derivatives with "unqualified reference obligation"	8,429	17,259	3,627	29,315
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2009	**19,232**	**134,331**	**12,597**	**166,160**
Total 31.12.2008	**17,858**	**110,493**	**19,695**	**148,046**

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Financial derivatives - bilateral agreements							
- positive fair value	440	-	2,175	251	154	342	9
- negative fair value	-	-	2,000	663	15	13	-
- future exposure	35	-	3,857	377	30	88	1
- net counterparty risk	-	-	45	-	-	3	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	1	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	624	111	-	-	-
- negative fair value	-	-	407	-	-	-	-
- future exposure	-	-	419	63	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows through cash inflows, liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
– assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
– maintenance of an adequate level of unencumbered, highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.

These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).

The short term Liquidity Policy includes the set of parameters, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indices, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Parent Company and the Group Companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**49,230**	**15,003**	**6,770**	**15,131**	**38,124**	**21,839**	**29,262**	**132,509**	**118,631**	**159**
A.1 Government bonds	272	5	146	213	2,808	5,314	6,600	11,925	6,622	-
A.2 Other debt securities	390	15	19	46	299	895	1,926	12,498	11,430	-
A.3 Quotas of UCI	1,164	18	-	-	-	-	-	-	-	-
A.4 Loans	47,404	14,965	6,605	14,872	35,017	15,630	20,736	108,086	100,579	159
- Banks	*3,715*	*3,499*	*1,637*	*4,383*	*13,824*	*2,380*	*1,096*	*1,448*	*408*	*-*
- Customers	*43,689*	*11,466*	*4,968*	*10,489*	*21,193*	*13,250*	*19,640*	*106,638*	*100,171*	*159*
Cash liabilities	**176,665**	**11,669**	**3,366**	**8,166**	**20,603**	**15,850**	**32,257**	**83,632**	**40,973**	**175**
B.1 Deposits and current accounts	174,439	2,735	2,112	3,861	6,987	3,923	3,843	4,963	2,227	174
- Banks	*5,755*	*682*	*757*	*865*	*1,881*	*692*	*830*	*2,194*	*754*	*79*
- Customers	*168,684*	*2,053*	*1,355*	*2,996*	*5,106*	*3,231*	*3,013*	*2,769*	*1,473*	*95*
B.2 Debt securities	1,652	1,683	616	3,171	10,260	10,452	22,046	75,203	32,302	1
B.3 Other liabilities	574	7,251	638	1,134	3,356	1,475	6,368	3,466	6,444	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*2,076*	*4,287*	*1,835*	*4,275*	*6,333*	*4,029*	*1,920*	*6,664*	*6,760*	*12*
- Short positions	*2,210*	*7,329*	*2,213*	*4,715*	*8,848*	*5,265*	*5,524*	*9,334*	*4,560*	*12*
C.2 Financial derivatives without exchange of capital										
- Long positions	*44,040*	*1*	*2*	*78*	*163*	*58*	*147*	*348*	*125*	*-*
- Short positions	*44,548*	*20*	*1*	*3*	*94*	*30*	*193*	*544*	*212*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*331*	*84*	*-*	*84*	*-*	*-*	*-*	*-*	*-*	*1,504*
- Short positions	*-*	*276*	*-*	*-*	*30*	*-*	*25*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*133*	*2*	*2*	*134*	*1,419*	*2,525*	*3,816*	*16,996*	*4,385*	*315*
- Short positions	*17*	*4,266*	*2*	*40*	*1,594*	*3,267*	*2,731*	*55,689*	*4,795*	*235*
C.5 Financial guarantees given	97	7	1	15	10	27	49	822	183	300

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,578**	**1,028**	**717**	**1,871**	**3,207**	**1,941**	**1,758**	**7,183**	**3,645**	**29**
A.1 Government bonds	10	-	-	97	81	11	16	30	218	-
A.2 Other debt securities	38	44	62	309	509	133	192	1,290	1,566	-
A.3 Quotas of UCI	564	-	-	-	-	-	-	-	-	-
A.4 Loans	966	984	655	1,465	2,617	1,797	1,550	5,863	1,861	29
- Banks	*334*	*297*	*253*	*571*	*1,693*	*1,256*	*866*	*967*	*36*	*-*
- Customers	*632*	*687*	*402*	*894*	*924*	*541*	*684*	*4,896*	*1,825*	*29*
Cash liabilities	**4,049**	**7,205**	**2,967**	**4,907**	**17,690**	**3,364**	**1,741**	**1,735**	**185**	**1**
B.1 Deposits and current accounts	3,947	5,354	1,749	1,952	1,429	246	254	278	13	1
- Banks	*701*	*3,761*	*907*	*1,542*	*417*	*26*	*19*	*28*	*1*	*-*
- Customers	*3,246*	*1,593*	*842*	*410*	*1,012*	*220*	*235*	*250*	*12*	*1*
B.2 Debt securities	12	1,422	996	2,779	15,940	2,995	1,487	1,432	14	-
B.3 Other liabilities	90	429	222	176	321	123	-	25	158	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*104*	*7,122*	*3,222*	*5,894*	*7,214*	*4,610*	*4,926*	*5,435*	*1,810*	*-*
- Short positions	*243*	*3,848*	*2,172*	*4,065*	*4,409*	*2,203*	*2,469*	*4,395*	*2,888*	*-*
exchange of capital										
- Long positions	*1,311*	*-*	*-*	*-*	*-*	*3*	*-*	*10*	*-*	*-*
- Short positions	*1,379*	*-*	*-*	*-*	*-*	*3*	*7*	*10*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*529*	*2*	*-*	*2*	*-*	*-*	*-*	*-*	*-*	*28*
- Short positions	*-*	*179*	*44*	*278*	*28*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*18*	*1*	*30*	*518*	*681*	*621*	*3,010*	*1,067*	*-*
- Short positions	*49*	*69*	*-*	*30*	*478*	*685*	*558*	*10,362*	*1,467*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	2	34	32	-

Currency of denomination: Pound sterling

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**190**	**101**	**50**	**68**	**293**	**927**	**402**	**316**	**520**	**-**
A.1 Government bonds	1	-	-	-	113	576	-	-	42	-
A.2 Other debt securities	2	-	-	-	-	-	2	41	306	-
A.3 Quotas of UCI	2	-	-	-	-	-	-	-	-	-
A.4 Loans	185	101	50	68	180	351	400	275	172	-
- Banks	*114*	*53*	*1*	*12*	*93*	*103*	*-*	*-*	*-*	*-*
- Customers	*71*	*48*	*49*	*56*	*87*	*248*	*400*	*275*	*172*	*-*
Cash liabilities	**691**	**965**	**434**	**341**	**1,228**	**6**	**120**	**686**	**1,595**	**-**
B.1 Deposits and current accounts	662	897	200	223	18	6	12	9	-	-
- Banks	*228*	*168*	*2*	*19*	*1*	*1*	*-*	*-*	*-*	*-*
- Customers	*434*	*729*	*198*	*204*	*17*	*5*	*12*	*9*	*-*	*-*
B.2 Debt securities	29	34	215	118	1,187	-	108	676	1,593	-
B.3 Other liabilities	-	34	19	-	23	-	-	1	2	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*9*	*487*	*122*	*357*	*1,185*	*174*	*228*	*2,587*	*1,289*	*-*
- Short positions	*17*	*655*	*82*	*565*	*330*	*150*	*103*	*507*	*1,770*	*-*
exchange of capital										
- Long positions	*104*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*134*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*64*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*14*	*12*	*3*	*34*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*35*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Yen

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**247**	**30**	**355**	**292**	**380**	**353**	**79**	**279**	**346**	**-**
A.1 Government bonds	1	-	-	-	198	244	-	-	65	-
A.2 Other debt securities	-	-	-	-	6	1	-	-	123	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	246	30	355	292	176	108	79	279	158	-
- Banks	*153*	*20*	*332*	*150*	*84*	*65*	*42*	*51*	-	-
- Customers	*93*	*10*	*23*	*142*	*92*	*43*	*37*	*228*	*158*	-
Cash liabilities	**178**	**59**	**-**	**-**	**8**	**32**	**67**	**455**	**171**	**-**
B.1 Deposits and current accounts	178	21	-	-	8	1	2	98	-	-
- Banks	*2*	*21*	-	-	-	-	-	-	-	-
- Customers	*176*	-	-	-	*8*	*1*	*2*	*98*	-	-
B.2 Debt securities	-	38	-	-	-	31	65	357	158	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	13	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*7*	*786*	*85*	*187*	*240*	*97*	*167*	*462*	*185*	-
- Short positions	*15*	*1,166*	*761*	*802*	*341*	*304*	*119*	*110*	*138*	-
exchange of capital										
- Long positions	*145*	-	-	-	-	-	-	-	-	-
- Short positions	*183*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*148*	-	-	-	-	-	-	-	-	-
- Short positions	-	*148*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*6*	*1*	*2*	-	-	-	-	-	-
- Short positions	*9*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**376**	**89**	**75**	**245**	**254**	**175**	**354**	**1,423**	**2,634**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	1	-	-	-	-	-	30	1	231	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	375	89	75	245	254	175	324	1,422	2,403	-
- Banks	*14*	*49*	*29*	*94*	*63*	*6*	*14*	*34*	*21*	-
- Customers	*361*	*40*	*46*	*151*	*191*	*169*	*310*	*1,388*	*2,382*	-
Cash liabilities	**269**	**63**	**73**	**180**	**661**	**27**	**9**	**82**	**205**	**-**
B.1 Deposits and current accounts	268	25	2	146	581	14	9	82	184	-
- Banks	*91*	*19*	*1*	*12*	*1*	-	*1*	*79*	*183*	-
- Customers	*177*	*6*	*1*	*134*	*580*	*14*	*8*	*3*	*1*	-
B.2 Debt securities	-	18	71	34	80	13	-	-	-	-
B.3 Other liabilities	1	20	-	-	-	-	-	-	21	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*266*	*6*	*204*	*129*	*44*	*22*	*226*	-	-
- Short positions	*50*	*380*	*569*	*1,006*	*1,005*	*246*	*86*	*1,379*	*6*	-
exchange of capital										
- Long positions	*22*	-	-	-	*101*	-	*2*	*4*	-	-
- Short positions	*24*	*34*	*19*	*34*	*135*	*307*	*726*	*5*	-	-
C.3 Deposits and loans to be settled										
- Long positions	*33*	-	-	-	-	-	-	-	-	-
- Short positions	*6*	*27*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*14*	*2*	-	-	*2*	-	-	-	-
- Short positions	*17*	-	-	-	-	*1*	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,919**	**1,091**	**627**	**799**	**1,953**	**1,749**	**1,775**	**3,299**	**2,195**	**49**
A.1 Government bonds	222	262	270	5	558	415	257	255	301	-
A.2 Other debt securities	51	236	5	17	103	269	184	153	81	-
A.3 Quotas of UCI	22	-	-	-	-	-	-	-	-	-
A.4 Loans	1,624	593	352	777	1,292	1,065	1,334	2,891	1,813	49
- Banks	*704*	*486*	*286*	*226*	*555*	*167*	*1*	*631*	*-*	*-*
- Customers	*920*	*107*	*66*	*551*	*737*	*898*	*1,333*	*2,260*	*1,813*	*49*
Cash liabilities	**3,794**	**779**	**476**	**1,200**	**1,925**	**921**	**1,076**	**1,522**	**1,085**	**4**
B.1 Deposits and current accounts	3,734	741	394	1,168	1,878	859	885	982	855	4
- Banks	*217*	*129*	*138*	*282*	*204*	*103*	*75*	*58*	*61*	*-*
- Customers	*3,517*	*612*	*256*	*886*	*1,674*	*756*	*810*	*924*	*794*	*4*
B.2 Debt securities	7	7	22	-	46	62	188	540	230	-
B.3 Other liabilities	53	31	60	32	1	-	3	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*22*	*1,361*	*742*	*990*	*2,476*	*405*	*1,188*	*568*	*193*	*-*
- Short positions	*115*	*1,769*	*427*	*1,050*	*2,349*	*710*	*901*	*864*	*190*	*-*
exchange of capital										
- Long positions	*143*	*-*	*28*	*15*	*846*	*237*	*408*	*950*	*64*	*-*
- Short positions	*139*	*48*	*44*	*14*	*573*	*169*	*353*	*924*	*63*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*192*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*5*
- Short positions	*-*	*192*	*-*	*2*	*5*	*6*	*6*	*2*	*1*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*193*	*2*	*-*	*1*	*109*	*5*	*29*	*1*	*63*
- Short positions	*193*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	1	21	2	18	-	15

2. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
A brief description of the existing transactions as at 31 December 2009 is provided below.

Adriano Finance

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

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

As for the second vehicle, one securitisation was carried out in 2008 involving a portfolio of performing residential mortgages from the former Sanpaolo network for an amount of around 13 billion euro, sold to the SPV, which issued RMBS notes for the same amount.

SPQR II

These involved securitisations carried out by two Group companies, respectively Banca IMI and Banca Infrastrutture Innovazione e Sviluppo (BIIS).
The first related to a portfolio of securities recorded under financial assets held for trading issued by Italian and foreign banks, insurance companies, corporates and securitisation vehicles sold without recourse to the vehicle SPQR II S.r.l. for a total amount of 778 million euro, entirely subscribed at par by Banca IMI.
BIIS also carried out two securitisations through this vehicle:

– the first, in 2007, involving a portfolio of bonds issued by Italian public entities for an amount of around 2 billion euro, sold to the SPV, which issued securities for the same amount;
– the second, in 2008, involving a portfolio of bonds issued by Italian local authorities (municipal, provincial and regional) for an amount of around 1.3 billion euro, sold to the SPV, which issued securities for the same amount.

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2009
Adriano Finance S.r.l.				**19,536**
- of which first mortgage portfolio securitised (4 August 2008)	Senior	Performing mortgages	AAA	7,558
	Junior	Performing mortgages	no rating	440
- of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008)	Senior	Performing residential long-term mortgages	AAA	5,281
- of which third mortgage portfolio securitised (Adriano ter Securitisation) (20 July 2009)	Junior	Performing residential long-term mortgages	no rating	397
	Senior	Performing residential mortgages	AAA	5,297
	Junior	Performing residential mortgages	no rating	563
Adriano Finance 2 S.r.l.				**13,050**
	Senior	Performing residential mortgages	AAA	12,174
	Junior	Performing residential mortgages	no rating	876
SPQR II S.r.l.				**3,889**
- of which Banca IMI securitisation (July 2008)	Senior	Bonds issued by banks and SPVs	A	696
	Junior	Bonds issued by banks and SPVs	no rating	82
- of which first BIIS securitisation (November/December 2007) - CBO 1	Senior	Performing L&R issued by public entities(*)	A	1,714
	Junior	Performing L&R issued by public entities(*)	no rating	67
- di cui seconda cartolarizzazione BIIS (dicembre 2008) - CBO 2	Senior	Performing L&R issued by public entities(*)	A	1,238
	Junior	Performing L&R issued by public entities(*)	no rating	92
TOTAL				**36,475**

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

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

Continuing the strategies adopted in previous years, the management of this portfolio is aimed at reducing the existing positions to the extent permitted by the activity in this market.

The fourth quarter of 2009 saw a continued narrowing of spreads and a significant recovery in trades, which enabled a further reduction in the trading portfolio of around 600 million euro, generating a positive impact on the income statement of around 10 million euro and confirming the robustness of the valuation framework used.

The positive signs that emerged in the second half of 2009 have been confirmed in the early months of 2010, although the weak economic situation is still giving cause for concern.

Additional uncertainty also exists about the performance of this asset class in 2010, due to the likelihood of the public support programmes for certain asset classes not being renewed, to the regulatory treatment of assets of this kind and to stricter eligibility requirements for their use for funding.

Highlights

Before describing the results as at 31 December 2009, please note that, in quantitative terms, the portfolio of investments in structured credit products fell by around a third compared to the end of last year. Despite having been downgraded by an increasing percentage over the year (around 27%), the quality of the positions held as at 31 December 2009 was still good, as shown by the following indicators:

- 73% of the exposure was Investment Grade, compared to 96% as at 31 December 2008;
- 39% of the exposure had a Super senior (4%) or AAA (35%) rating. The percentage of Super senior fell considerably compared to 31 December 2008;
- 27% had a BBB rating or less, compared to 4% as at 31 December 2008;
- 24% of the exposure had a pre-2005 vintage1;
- 38% had a 2005 vintage;
- only 9% of the exposure related to the US Residential segment, and 21% to the US non-residential segment;
- the remaining exposure (70% of the total) was almost entirely (62%) European.

In terms of underlying contract types, just over half the exposure consisted of CLOs (34%) and CDOs (22%); the rest was almost entirely made up of ABSs (18%) and RMBSs (21%), with CMBSs representing 5% of the total.

With regard to valuation methods, unfunded positions were measured using the Mark-to-Model Approach (Level 3 of the Fair Value hierarchy) with the sole exception of positions on CMBX and LCDX indices, which were measured on the basis of the Comparable Approach (Level 2 of the Fair Value hierarchy). As for funded products, around 9% of the exposure was measured on the basis of Effective Market Quotes (Level 1), however, in 91% of cases, valuation methods were adopted. Specifically, 57% of the exposures were measured through the Comparable Approach (Level 2) and the remaining 34% through the Mark-to-Model Approach (Level 3). For more details of the valuation methods used see the description in Part A - Accounting policies – of the Notes to the consolidated financial statements.

The structured credit products are indicated by separating the part classified under financial assets held for trading or available for sale from those classified as Loans[2]. The tables illustrate the impact on the income statement of both aggregates.

The information set out below refers to the entire Group. Any effects and positions ascribable to entities other than the Parent Company are specifically highlighted in the comments and/or in the detailed tables.

In the summary tables provided below, table (a) sets out risk exposure as at 31 December 2009 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of the year, compared with the corresponding values recorded as at 31 December 2008.

Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged. For a more complete description of exposures of this type see the specific paragraphs (Monoline risk and Non monoline packages) and the relative tables.

The conversion into euro of values expressed in USD as at 31 December 2008 occurred at an exchange rate of 1.3917 euro per dollar and as at 31 December 2009 at an exchange rate of 1.4406 euro per dollar.

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

[2] This segregation is the result of the reclassification completed in 2008 after the IAS 39 amendments in October 2008. Added to these are the reclassifications of securities completed after the restructuring of unfunded positions during 2009.

Structured credit products: summary table
a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	31.12.2009		31.12.2008	
	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	**28**	**19**	**23**	**-4**
Contagion area	**164**	**-68**	**207**	**-166**
- Multisector CDOs	88	-71	125	-103
- Alt-A	-	-	-	-
- TruPS	76	3	82	-63
- Prime CMOs	-	-	-	-
Other structured credit products	**1,235**	**-27**	**3,056**	**-327**
- European/US ABS/CDOs	479	36	430	-53
- Unfunded super senior CDOs	834	-51	3,043	-249
- Other unfunded positions	-78	-12	-417	-25
Total	**1,427**	**-76**	**3,286**	**-497**
in addition to:				
Positions of funds	-	15	-	41
Total Financial assets held for trading	**1,427**	**-61**	**3,286**	**-456**

(millions of euro)

Loans	31.12.2009		31.12.2008	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**7**	**-1**	**6**	**-**
Contagion area	**107**	**-**	**138**	**-5**
- Multisector CDOs	15	-	12	-
- Alt-A	59	-	78	-2
- TruPS	-	-	-	-
- Prime CMOs	33	-	48	-3
Other structured credit products	**2,321**	**4**	**1,973**	**-57**
- Funded European/US ABS/CDOs	1,476	-11	1,729	-57
- Funded super senior CDOs	714	15	-	-
- Other Romulus funded securities	131	-	244	-
Total	**2,435**	**3**	**2,117**	**-62**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,435**	**3**	**2,117**	**-62**
TOTAL	**3,862**	**-58**	**5,403**	**-518**

(*) 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)

Detailed table	31.12.2009		31.12.2008	
	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	10	31	-	-94
Non monoline packages	98	4	154	-
TOTAL	**108**	**35**	**154**	**-94**

Although a more detailed description of the various product performances is provided in the summary below, it is worth noting that the "long" position in US Subprimes increased slightly compared to the end of 2008 as a result of both the cancellation of positions in ABX indices taken to hedge the assets and the change in the allocation of an unfunded position between US Subprimes and the “Contagion Area”. Also, the restructuring of unfunded positions in 2009 reduced the weight of these positions in favour of funded positions within the "Other structured credit products", which were later classified under Loans and are less exposed to income statement volatility, whilst still maintaining the Intesa Sanpaolo Group risk profile. Furthermore, one position included in the first reporting boundary was moved from “Other structured credit products" to the “Contagion area", due to the increased weight of the US RMBS component within the collateral portfolio. 2009 also saw the early termination or natural expiry of numerous positions included in this segment. As a consequence, the risk exposure fell from 5,403 million euro as at 31 December 2008 to 3,862 million euro as at 31 December 2009.

In the context of the income statement, structured credit products improved, reaching -23 million euro as at 31 December 2009 (of which -58 million euro funded and unfunded ABS/CDOs and +35 million euro in package exposure).

Regarding the first of these, the impact affected “Profits (Losses) on trading – Caption 80” by -61 million euro (15 million euro of which attributable to fund positions). The negative result for this segment was essentially due to the negative contribution of funded and unfunded positions associated with the “Contagion Area” (-68 million as at 31 December 2009), only partly mitigated by the positive results in its related fund positions. The deterioration in this segment slowed down in the fourth quarter of 2009 (+8 million euro, including +5 million euro associated with fund positions) and should be considered in conjunction with the improvement in the US Subprime segment (19 million euro as at 31 December 2009, -2 million euro of which in the fourth quarter). The different impact of these two areas on the income statement was due to the change, during the year, in the proportion of US RMBSs as a percentage of the total collateral assets, to the alteration of the allocation of a position between the two segments and to the variation in the market data used for the estimates, which were affected by the narrowing of spreads in the late months of 2009. Added to this was the negative impact in 2009 of the unfunded positions included in the “Other structured credit products” (-63 million euro as at 31 December 2009, including -51 million euro from the unfunded super senior CDOs and -12 million euro from the other unfunded positions), which were affected by the downgrades and defaults of the assets within the collateral for these positions. These phenomena weakened towards the end of the year as shown by the practically nil contribution (+1 million euro) of this segment in the fourth quarter.

On the other hand, there was the positive contribution of European and US funded ABS/CDOs to profit/loss for the period as at 31 December 2009 (36 million euro). This result benefited mainly from the good portfolio performance of the subsidiary Banca IMI (21 million euro) and profits from the market disposal of a number of positions (14 million euro).

As at 31 December 2009 securities reclassified under the loan portfolio generated profits on market disposals of 12 million euro (including 2 million euro from European ABS/CDOs, -5 million euro from US ABS/CDOs and 15 million euro from funded super senior CDOs) and losses due to impairment of securities of 9 million euro (including 1 million euro from subprimes and 8 million euro from European ABS/CDOs).

The contribution of the “Monoline risk” and “Non-monoline packages” was also positive with a total result of 35 million euro as at 31 December 2009, thanks to the progressive reduction of exposure to counterparties and to a slight improvement in their creditworthiness.

As at 31 December 2009, this aggregate included bonds reclassified as loans for a total nominal value of 2,544 million euro and a risk exposure of 2,333 million euro[3]. This amount included 166 million euro for securities reclassified from available for sale to the loans portfolio. As at 31 December 2009 their fair value was 105 million euro. The positive impact of this reclassification on the Valuation reserve under Shareholders’ Equity was 61 million euro. The remaining 2,167 million euro was reclassified from the trading book to the loans portfolio. The fair value of this aggregate as at 31 December 2009 was 1,861 million euro, with a positive effect on the income statement of 306 million euro, 299 million euro of which referring to 31 December 2008. Had the loans portfolio not been reclassified, the negative result for structured credit products in 2009 would have been -30 million euro.

[3] Other securities for an amount of 102 million euro have been under the loan portfolio since initial recognition.

US subprime exposure

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

As at 31 December 2009, the Intesa Sanpaolo Group:

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

That said, Intesa Sanpaolo uses the term US Subprime exposure to mean the products - cash investments (securities and funded CDOs) and derivative positions (unfunded CDOs) - with collateral mainly made up of US residential mortgages not in the "prime" sector (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar) granted in 2005/06/07, irrespective of the FICO score[4] and the Loan-to-Value[5] (LTV), and products with collateral made up of US residential mortgages granted before 2005, with a FICO score under 629 and a Loan-to-Value exceeding 90% (as was the case in 2008, the weight of this second class of products in the Intesa Sanpaolo Group's portfolio as at 31 December 2009 was not significant).

During 2009 the total exposure to US Subprime increased slightly, due to the cancellation of the hedging short positions taken in ABX indices and the change in the allocation of the collateral of an unfunded CDO included partly within this segment and partly in the "Contagion Area".

US subprime exposure

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded ABS	13	1	-	-	-	-
Funded CDOs	26	2	-	-	-	-
Unfunded super senior CDOs (1)	186	25	-	19	19	-2
Position on ABX indexes	-	-	-13	13	-	-
"Long" positions	**225**	**28**	**-13**	**32**	**19**	**-2**
	"long"	**"long"**				
Net position	**225**	**28**	**-13**	**32**	**19**	**-2**

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded ABS	-	-	-	-	-	-
Funded CDOs	8	4	-	-1	-1	-
Romulus-funded ABS/CDOs	3	3	-	-	-	-
"Long" positions	**11**	**7**	**-**	**-1**	**-1**	**-**
TOTAL	**236**	**35**	**-13**	**31**	**18**	**-2**

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

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

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

The net nominal "long" position of 236 million euro as at 31 December 2009 compares with 269 million euro as at 31 December 2008. Moreover, positions on ABX indices included in the segment were also closed. In terms of risk exposure, a "long" position of 35 million euro (29 million euro as at 31 December 2008) which also included securities reclassified under the loan portfolio for 7 million euro (11 million euro in terms of nominal value) existed as at

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

[5] 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.

31 December 2009. The securities reclassified had a fair value, as at 31 December 2009, of 4 million euro[6]. The positive impact of the reclassification on the Valuation reserve under Shareholders' Equity was therefore 3 million euro[7].
During the year, the overall impact of these positions on the income statement totalled 19 million euro (-4 million euro as at 31 December 2008), of which -2 million euro in the fourth quarter. Moreover, a 1 million euro impairment loss was recognised under "Net losses/recoveries on impairment – caption 130a".
With regard to the Funded ABS component, 60% had a AAA, 15% a AA, 3% a BB and the remaining 22% a CCC/C rating. The original LTV was 91%, while average delinquency[8] at 30, 60 and 90 days amounted to 4%, 1% and 5% respectively. Cumulated loss equalled 30%.
These positions were not quoted on active markets and were measured using the Comparable Approach (Level 2) for the funded ABS component or the Mark-to-Model Approach (Level 3) for the funded and unfunded CDOs.

"Contagion" area

In 2009, one position already included in the segment was moved to this area and one CDO, classified under the Romulus vehicle loans portfolio at the end of 2008, was transferred to the Parent Company loans portfolio. A security was transferred to this segment, as a result of the early termination of a credit derivative hedging the security included in the "Monoline risk" area , because the related credit risk returned to being borne by the Intesa Sanpaolo Group. The segment results subject to "contagion effect", i.e. affected by the subprime mortgage crisis, can be summarised as follows:

i. ***Multisector CDOs***: products almost entirely represented by unfunded super senior CDOs, with collateral consisting of US RMBSs (76%), CMBSs (5%), CDOs (5%), HY CBOs (12%) and Consumer ABSs (2%).
   Over 65% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime risk (on average 3%).
   These were transactions with a CCC+ average rating and an average protection (attachment point[9]) of 6%.

[6] Of which 2 million euro refers to securities in the portfolio of the Romulus vehicle.

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

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

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

"Contagion" area: Multisector CDOs

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	40	18	4	-1	3	*1*
Unfunded super senior CDOs	327	130	7	-68	-61	*1*
"Long" positions	**367**	**148**	**11**	**-69**	**-58**	**2**
CMBX hedges and derivatives	73	60	-11	-2	-13	*-1*
Positions of funds	**-**	**134**	**4**	**11**	**15**	**5**
Net position [(1)]	**"long" 294**	**"long" 88**	**4**	**-60**	**-56**	**6**

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	6	5	-	-	-	-
Romulus-funded ABS/CDOs	13	10	-	-	-	-
"Long" positions	**19**	**15**	**-**	**-**	**-**	**-**
TOTAL	**313**	**103**	**4**	**-60**	**-56**	**6**

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

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

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

Taking into account write-downs, write-backs, CMBX and LCDX index hedges and a number of single-name credit default swap positions on associated names[10], the net risk exposure as at 31 December 2009 was 103 million euro, down on the 137 million euro as at 31 December 2008, as a result of the write-downs of the positions included in the segment. The exposure also included securities of 15 million euro (19 million euro in nominal value), partly in the portfolio of the Romulus vehicle and partly in the portfolio of the Parent Company, which were reclassified to the Loans category. As at 31 December 2009, the latter had a fair value of 11 million euro, with a positive impact of the reclassification on the Valuation reserve under Shareholders' Equity of 4 million euro[11].
During the year, the overall impact on the income statement ascribable to these positions (including those on CMBX and LCDX indices and other derivatives) was -71 million euro. The positive effect of the "long" positions in CDOs in 2009, arising from the slow recovery of the Commercial Real Estate market, was partially offset by the negative results of the indices and the existing hedging derivatives. Considering, for the sake of completeness, the Group's investment in funds, which had a positive impact on the income statement of 15 million euro, the impact on the income statement for the year 2009 amounted to -56 million euro, with an improvement of 6 million euro in the fourth quarter. These figures compare with the 62 million euro loss recorded as at 31 December 2008.
With the exception of the funded positions relating to the vehicle Romulus and the "short" hedging positions, this area included the unfunded instruments that were measured using the Mark-to-Model Approach (Level 3). The positions in funds were measured entirely using the Mark-to-Model Approach (Level 3).

ii. *Alt-A - Alternative A Loans*: ABS (securities) with underlying US residential mortgages normally of high quality, but characterised by penalising factors, mostly relating to incomplete documentation that does not permit their classification under standard prime contracts.
The positions in the Group portfolio had a 2005 vintage and ratings of AAA (52%), AA (29%), A (10%), BB/B (8%) and C (1%).

[10] But not in positions of Funds.

[11] Of which 2 million euro refers to securities in the portfolio of the Romulus vehicle.

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

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Other securities available for sale[1]	9	-	-	-	-	-
"Long" positions	**9**	**-**	**-**	**-**	**-**	**-**

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Alt-A Agency	32	31	-	-	-	-
Alt-A No Agency	34	28	-	-	-	-
"Long" positions	**66**	**59**	**-**	**-**	**-**	**-**
TOTAL	**75**	**59**	**-**	**-**	**-**	**-**

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

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

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

The risk exposure as at 31 December 2009 amounted to 59 million euro, compared to 78 million euro as at 31 December 2008. The bonds included in this category were reclassified to the Loans caption. The nominal value of the securities reclassified was 66 million euro and the risk exposure amounted to 59 million euro. The securities had a fair value of 47 million euro and the positive impact of the reclassification as at 31 December 2009 was therefore 12 million euro.
The economic result for the segment as at 31 December 2009 was zero (-2 million as at 31 December 2008).
The Alt-A No Agency component had an original average LTV of 74% and average delinquency at 30, 60 and 90 days of 4%, 3% and 2% respectively. Cumulated loss equalled 6%.
They were measured on the basis of the Comparable Approach (Level 2).

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by US real estate trustees to finance residential or commercial initiatives. In 2009, an unfunded position in this segment was restructured through the purchase of a funded security and its reclassification to the trading book.
The positions in the Group's portfolio had a CCC+ rating (unfunded CDOs) and a BB/C rating (funded CDOs) and an average attachment point of 47%.

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

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded CDOs	97	28	-	-1	-1	-
Unfunded super senior CDOs	125	48	-	4	4	*2*
"Long" positions	**222**	**76**	**-**	**3**	**3**	***2***

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded CDOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	***-***
TOTAL	**222**	**76**	**-**	**3**	**3**	***2***

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

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

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2009 was 76 million euro, compared to 82 million euro at 31 December 2008.

In the year, the overall impact on the income statement ascribable to these positions was 3 million euro, of which 2 million euro in the fourth quarter. These figures compared to a loss of 63 million euro recognised as at 31 December 2008. Since these were mainly unfunded positions, no financial instruments included within this category were reclassified.

The products in this segment were partly made up of unfunded super senior CDOs and partly of funded CDOs, written down by 66% of their nominal value on the basis of the Mark-to-Model Approach (Level 3).

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on US residential buildings.
They had a 2005 vintage and a AAA (42%) and AA (58%) rating.

"Contagion" area: Prime CMOs

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Prime CMOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Prime CMOs	36	33	-	-	-	-
"Long" positions	**36**	**33**	**-**	**-**	**-**	**-**
TOTAL	**36**	**33**	**-**	**-**	**-**	**-**

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

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

The risk exposure as at 31 December 2009 amounted to 33 million euro, slightly lower than at 31 December 2008 (48 million euro).
The bonds included in this aggregate were fully reclassified to the Loans category. As at 31 December 2009, their fair value was 25 million euro, with a positive impact from the reclassification of 8 million euro.
The economic result for the segment at 31 December 2009 was zero (-3 million at 31 December 2008).
The Prime CMOs component had an original average LTV of 65% and average delinquency at 30, 60 and 90 days of 1%, 0.4% and 0.3% respectively. Cumulated loss equalled 0.3%.
They were measured on the basis of the Comparable Approach (Level 2).

Monoline risk

Intesa Sanpaolo does not have any direct exposure to monoline insurers (insurance companies specialised in hedging the default risk of bonds issued by both public entities and the corporate sector) and only has indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions.
Intesa Sanpaolo's activities in packages are made up of the purchase of assets (typically bonds), whose credit risk is entirely hedged by a specific credit default swap (CDS). Therefore, these products only present counterparty risk referred to the entity which provided the hedge and their rationale lies in the possible existence of asymmetries between the cash and derivatives market, of the same underlying asset, which it is possible to use without direct exposure to market risks.
Both the security and the connected derivative have been measured using the Mark-to-Model approaches (level 3) also taking into account any available prices, if lower. These measurements did not have any impact on Profits (Losses) on trading – Caption 80, with the exception of those referred to the counterparty risk component, mostly due to transactions in which the hedge was stipulated with monoline insurers for which a credit risk adjustment has been calculated, determined on the basis of the cost of a protection CDS on the default of the monoline insurer, with nominal value equal to the current and potential future exposure (so-called add-on) and expiry equal to the average residual life of the underlying assets.
In 2009 the overall nominal value of the assets underlying these transactions decreased from 165 million euro to 96 million euro. Although the packages, as already mentioned above, do not entail a market risk associated with the nature of the underlying asset, for the sake of completeness please note that the assets making up the packages as at 31 December 2009 consisted of securities with US RMBS collateral with a significant subprime content[12].
As at 31 December 2009, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 40 million euro, compared to 84 million euro as at 31 December 2008. The positive impact on the income statement for the period was 28 million euro (of which 4 million euro in the fourth quarter), compared to a negative impact of 74 million

[12] The percentage in US subprime was 28.5%.

euro as at 31 December 2008. The dramatic turnabout was attributable to a sharp improvement in the credit rating of the counterparties which, in turn, led to the reduction in the corresponding write-down percentage applied.
Intesa Sanpaolo's activities in fully hedged derivatives are made up of the simultaneous purchase and sale of protection on the same reference entity (underlying asset) with two different counterparties. Also in this case, market risk generated by the underlying asset does not affect the bank which solely bears counterparty risk generated by the "short" position in the protection purchase. The rationale for these transactions lies in the possibility of exploiting certain segmentations in the international market, without incurring in directional risks. The overall exposure to monoline counterparties in this category was also reduced during the year.
As at 31 December 2009, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 24 million euro, similar to the figure as at 31 December 2008. The positive impact on the income statement was 3 million euro, compared to a negative impact of 20 million euro in the previous year.
In conclusion, as at 31 December 2009, the credit risk exposure with monoline insurers due to counterparty risk amounted to 64 million euro, compared to 111 million euro as at 31 December 2008. The positive impact on the income statement for the year was 31 million euro (of which 4 million euro in the fourth quarter), compared to write-downs of 94 million euro as at 31 December 2008.
Please note that protection single name CDSs amounting to approximately 17 million euro (32 million euro as at 31 December 2008) have also been purchased and that 97% of the exposure to monoline insurers referred to MBIA, while the remaining 3% referred to other monoline insurers with a AA rating.

Monoline risk

(millions of euro)

Product	Position as at 31.12.2009				2009 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA)	**Fair value of the hedge with monoline insurers**	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	96	56	40	8	28	*4*
Sub-total	**96**	**56**	**40**	**8**	**28**	***4***
Positions in other derivatives:						
Other underlying assets	116	92	24	2	3	-
TOTAL	**212**	**148**	**64**	**10**	**31**	***4***

Lastly, for the sake of completeness, please note that there is another form of exposure to monoline insurers, which, however, does not generate particular risk situations. It stems from the investment in securities for which the monoline insurer provides a credit enhancement[13] to the issuing vehicle, for the purpose of making the issue "eligible" for certain types of investors through the achievement of a certain rating (normally AAA). The securities in question[14], with a nominal value as at 31 December 2009 of 534 million euro (529 million euro as at 31 December 2008), consisted of ABSs with underlying Italian health receivables, also supported by delegated regional payments, and financings of infrastructures. They were all recorded in the banking book, almost entirely in the Loans & Receivables (L&R) portfolio. Despite the downgrading of many of the monolines, there were no deteriorations in the creditworthiness of single issuers/borrowers sufficient to warrant the application of particular measures such as prudential provisions. This was because the positions were granted primarily on the basis of the creditworthiness of the underlying borrower. In this regard, please note that all of these issues have maintained an investment grade rating.

[13] Techniques or instruments used by an issuer to improve the rating of its issues (establishment of deposits for guarantee, granting of liquidity lines, etc.).

[14] Held entirely by Banca Infrastrutture Innovazione e Sviluppo.

Non-monoline packages

This category includes packages with assets covered by specific hedges entered into with leading international banks with AA, A, BBB, BB and B ratings, the majority of which are the subject of specific collateral agreements. The underlying assets are mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 17%).

Non-monoline packages

(millions of euro)

Product	Position as at 31.12.2009				2009 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA)	**Fair value write-down of the hedge**	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	460	360	100	98	4	-
TOTAL	**460**	**360**	**100**	**98**	**4**	**-**

As at 31 December 2009, these positions amounted to 460 million euro in terms of nominal value, compared to 558 million euro as at 31 December 2008. As at the same date, the credit risk exposure to counterparties of the transactions included in the aggregate amounted to 100 million euro (160 million euro as at 31 December 2008) and were written down by 2 million euro (6 million euro as at 31 December 2008) as a result of systematic adjustments made on the entire universe of derivatives to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum counterparty risk[15]. The positive impact on the income statement for the period was 4 million euro (compared to nil as at 31 December 2008). The improvement during the year was due to the reduction in credit risk exposure to counterparties and to the decrease in provision percentage applied.
These positions were measured using the Mark-to-Model Approach (Level 3).

Other structured credit products

Starting from the end of 2008, the structured credit products segment with underlying instruments not originating in the USA, have been subject to the heaviest write-downs due to the spread of the crisis. To reduce the income statement volatility connected to this segment, in 2009 Intesa Sanpaolo adopted a restructuring policy for unfunded positions included in the aggregate and their replacement with funded positions. These transactions did not result in any change to Intesa Sanpaolo's exposure to risk. The funded nature of the new risk positions, also given the "rare circumstances", allowed their reclassification to the loans portfolio, at the fair value of the security as at the time of category transfer.
The various types of product attributable to this last segment are described below. In 2009 they had a negative impact on the income statement of 23 million euro, with a 4 million euro contribution in the fourth quarter, compared to a 384 million euro loss recorded as at 31 December 2008.

i. ***Funded/Unfunded ABSs/CDOs:*** the European ABS/CDOs portfolio consisted of 15% of ABSs of receivables (Credit Card, Leasing, Personal Loans, etc.), 38% RMBSs (of which around 41% are Italian), 12% CMBSs, 13% CDOs and 22% CLOs[16] (mainly of small and medium enterprises). This portfolio was characterised by high credit quality (AAA 41%, AA/A 48%, BBB/BB/B 11%). The collateral of the CMBS portfolio was mostly made up of Offices (51%), Retail/Shopping Centres (20%), Mixed Use (16%), Health Care (8%), Hospitality/Multifamily (4%) and Industrial (1%). The measurement of the European ABS/CDOs portfolio was based on Effective Market Quotes (Level 1) in 15% of cases, on the Comparable Approach (Level 2) in 72% of cases, and on the Mark-to-Model (Level 3) for the remaining 13%. As regards the US ABS/CDO portfolio, on the other hand, these were securities with US underlying, with collateral represented by Credit Cards (1%) and CLOs (99%). It was made up of 80% of AAA positions and 20% AA. The measurement of the US ABS/CDOs portfolio was based on the Comparable Approach (Level 2) in 21% of cases and on the Mark-to-Model (Level 3) for the remaining 79%.

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

[16] They also include an unfunded position held by Banca IMI, with a nominal value of 25 million euro and risk exposure for the same amount.

– European ABSs/CDOs classified in the trading book.
 As at 31 December 2009 this portfolio had a total nominal value of 575 million euro[17] (477 million euro as at 31 December 2008), with risk exposure of 479 million euro[18] (424 million euro as at 31 December 2008). As at the same date, the related impact on the income statement was a positive 24 million euro, of which 16 million euro refers to realised income and 8 million euro to write-backs. This figure compared with the -35 million euro as at 31 December 2008. The positive effect was related to the strategy to reduce the exposure in structured credit products by selling certain assets included in the segment and to the improvement of spreads on the market.
– European ABSs/CDOs classified under loans.
 The nominal value of the portfolio as at 31 December 2009 was 1,583 million euro[19] (1,840 million euro as at 31 December 2008) with a risk exposure of 1,468 million euro[20] (1,686 million euro as at 31 December 2008). As at 31 December 2009, the securities in this portfolio had a fair value of 1,079 million euro. The positive effect of reclassification in the loans portfolio was 282 million euro as at 31 December 2009[21]**.** During the year 2009, part of the portfolio was disposed of. These transactions generated profits of approximately 2 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a". Moreover, impairment losses were recognised on certain securities included in the segment. The negative impact on the income statement (8 million euro[22] as at 31 December 2009) was recognised under "Net losses/write-backs on impairment – caption 130a".
 The overall impact of this aggregate on the income statement was negative by 6 million euro as at 31 December 2009. However, it did not affect "Profits (Losses) on trading – caption 80". The figure should be compared with write-downs of -57 million euro recognised at the end of 2008.
– US ABSs/CDOs classified in the trading book.
 These were securities with US underlying sold in the market during the year. They had a nominal value of 18 million euro as at 31 December 2008 and a risk exposure of 6 million euro. The impact on the income statement was positive by 12 million euro (-18 million euro for 2008) and resulted from the abovementioned sale.
– US ABSs/CDOs classified under loans.
 This aggregate included securities with a nominal value of 8 million euro (48 million euro as at 31 December 2008) and with a risk exposure for the same amount (43 million euro as at 31 December 2008). At the end of 2009 the fair value of these securities was 7 million euro. The positive impact of their classification to the loans portfolio on the income statement was 1 million euro as at 31 December 2009.
– Funded super senior corporate risk CDOs
 These are funded positions classified to the loans portfolio that derive from the restructuring of unfunded positions as at 31 December 2008. The securities with a nominal value as at 31 December 2009 of 769 million euro had a risk exposure of 714 million euro. The overall impact on the income statement was nil with respect to "Profits (Losses) on trading – caption 80". However, the disposal of securities following the restructuring of unfunded positions, generated a profit of 15 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a".
 At the same date, the securities in portfolio had a fair value of 711 million euro. The negative impact of their classification in the loan portfolio was 3 million euro.

ii. Funded ABS/CDOs ascribable to the Romulus vehicle

These securities were classified as loans. The underlying is mainly US: Credit Card, Leveraged Loan, Student Loan and Corporate Risk. As at 31 December 2009, they had a nominal value of 158 million euro (282 million euro as at 31 December 2008). The securities included in this aggregate had a fair value of 82 million euro as at 31 December 2009 and the positive impact on Shareholders' Equity solely associated with the change in fair value was 49 million euro. The portfolio consisted of exposures with AAA (13%), AA (14%), BBB (13%), BB (31%) and B (29%) rating.
The securities were measured on the basis of the Comparable Approach (Level 2) in 17% of cases and of the Mark-to-Model (Level 3) for the remaining 83%.

iii. Unfunded super senior Multisector CDOs

The nominal value of this component was nil as at 31 December 2009 (790 million euro as at 31 December 2008) as a result of the disposals during the year. As a consequence, the related impact on the income statement consisted entirely of realised charges and amounted to -34 million euro, with -4 million euro incurred in the fourth quarter, compared to a loss of 65 million euro as at 31 December 2008.

[17] Of which 502 million euro pertaining to Banca IMI (477 million funded positions and 25 million unfunded positions), 1 million euro pertaining to Carifirenze (classified under assets available for sale), 9 million euro pertaining to Sud Polo Vita (8 million classified under assets available for sale and 1 million classified in the trading book) and 42 million euro pertaining to Eurizon Vita (classified under assets available for sale).

[18] Of which 441 million euro pertaining to Banca IMI (416 million funded positions and 25 million unfunded positions), 5 million euro pertaining to Sud Polo Vita (of which 1 million classified in the trading book and 4 million classified under assets available for sale) and 24 million euro pertaining to Eurizon Vita (classified under assets available for sale).

[19] Of which 175 million euro pertaining to Banca IMI, 8 million euro to Carifirenze (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 3 million euro), 113 million euro attributable to Banca Fideuram and Eurotresorerie (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 2 million euro) and 2 million euro attributable to Eurizon Vita (no benefit from the reclassification to the Valuation reserve under Shareholders' Equity).

[20] Of which 1,366 million euro resulting from reclassification and 102 million euro classified under the loan portfolio since initial recognition.

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

[22] Including 2 million euro attributable to a security on the Carifirenze portfolio.

iv. *Unfunded super senior Corporate Risk CDOs*

The super seniors in this residual category were mainly characterised by collateral subject to corporate risk and had a nominal value of 924 million euro as at 31 December 2009 (2,596 million euro as at 31 December 2008). The decrease in exposure was due to the progressive restructuring of the unfunded positions included in the segment, turning them into funded positions, classified as loans. More specifically, the US collateral component was 25% (mainly represented by CDOs, 46%), the European component was 59% (of which 74% referred to Italian consumer credit and 26% to CDOs) and the emerging markets' component was 16% (project finance). These structures had an average attachment point of 31%. During the year, the related impact on the income statement was -17 million euro (15 million euro from realised income and -32 million euro from write-downs), 4 million euro of which in the fourth quarter. This loss compared with the negative figure recorded as at 31 December 2008 of -184 million euro.

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

The deterioration was due in small part to the widening in the spreads and for the most part to the forecast for the performance of the US and European leveraged loan market.

v. *Other unfunded positions*

This is a portfolio of generally "short" unfunded CDOs, almost entirely in mezzanine tranches with mainly European underlying, with a total nominal value of 64 million euro as at 31 December 2009. The exposure was considerably lower than the 396 million euro as at 31 December 2008, due to the early termination or natural expiry of the positions included in the segment. In 2009, the relative impact on the income statement was -12 million euro (-7 million euro from net realised charges, -5 million euro from valuations), with a 1 million euro positive contribution in the fourth quarter. This figure compared with a 25 million euro loss as at 31 December 2008.

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

Other structured credit products

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
European ABS/CDOs	575	479	16	8	24	*-1*
Funded US ABS/CDOs	-	-	12	-	12	*-*
Unfunded super senior multisector CDOs	-	-	-34	-	-34	*-4*
Unfunded super senior corporate risk CDOs	924	834	15	-32	-17	*4*
Other unfunded "short" positions	-64	-78	-7	-5	-12	*1*
"Long" positions	**1,435**	**1,235**	**2**	**-29**	**-27**	**-**

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded European ABS/CDOs	1,583	1,468	2	-8	-6	*-2*
Funded US ABS/CDOs	8	8	-5	-	-5	*-5*
Funded Romulus vehicle ABS/CDOs	158	131	-	-	-	*-*
Funded super senior corporate risk CDOs	769	714	15	-	15	*3*
"Long" positions	**2,518**	**2,321**	**12**	**-8**	**4**	**-4**
TOTAL	**3,953**	**3,556**	**14**	**-37**	**-23**	**-4**

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

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

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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

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

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

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent company.
These SPEs, which are controlled by Intesa Sanpaolo and are therefore part of the Group's scope of consolidation as per IAS 27, are: Intesa Funding LLC, Sanpaolo IMI US Financial Co., IntesaBCI Preferred Capital Company LLC III and Sanpaolo IMI Capital Company LLC 1. All these SPEs are based in the USA.
The table below shows the information and figures for these vehicles as at 31 December 2009.

(millions of euro)

FUNDING SPEs		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	6,158	-	-	-	(1)	5,339	6,158			
SANPAOLO IMI US FINANCIAL CO.	Funding	4,139	-	-	-	(1)	5,576	4,139			
INTESABCI PREFERRED CAPITAL CO. LLC	Funding	529	-	-	-	(1)	500	510			
SANPAOLO IMI CAPITAL CO. LLC 1	Funding	1,056	-	-	-	(1)	1,000	1,000			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of these vehicles were almost entirely made up of loans to Intesa Sanpaolo.
Total funding of SPEs above had an incidence of approximately 3% on total direct customer deposits in consolidated financial statements.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of Eurizon Vita and Eurizon Life who retain the majority of the risks and rewards; SPEs for insurance products are consolidated according to IAS 27 / SIC 12.
In the Group there are 55 entities of this type with total net assets of approximately 10 billion euro (of which 9 billion euro relative to funds that report to Fideuram Gestions).
With respect to the breakdown of assets, no significant changes should be noted compared with the figure recorded in the financial statements as at 31 December 2008. In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs represented around 1.6% of the Group's total consolidated assets.

Securitisation SPEs

These are funding SPEs that enable an entity to raise funds through the securitisation of part of its assets. Specifically, 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 that were part of the scope of consolidation as at 31 December 2009 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.A., Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Intesa SEC NPL S.p.a., Intesa Lease SEC S.r.l., Split 2 S.r.l., ISP CB Pubblico S.r.l., Adriano Finance S.r.l. (Series 1, 2 and 3) and Adriano Finance 2 S.r.l.. This category also included the companies ISP CB Ipotecario S.r.l. and ISP Sec 4 S.r.l., which were not operational as at 31 December 2009, and the vehicle Adriano Finance 3 S.r.l., which was in a stand-by status as at 31 December 2009.
These companies, incorporated under Italian law, were used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies. In the case of ISP CB

Pubblico S.r.l. the sale of the assets to the vehicle was aimed at implementing a covered bond issue programme. More specifically, this transaction involved the sale of performing loans from Banca Infrastrutture Innovazione e Sviluppo (BIIS) to the vehicle, which funded the purchase through a subordinated loan granted by BIIS. The first tranche of the covered bond issue was carried out by ISP at the end of July 2009 and was fully subscribed by BIIS, which used the securities for European Central Bank refinancing operations.
Augusto, Colombo and Diocleziano are securitisation vehicles for assets, primarily funding long-term mortgages and public works, of companies subject to joint control and later sold.
The securities held by Intesa Sanpaolo or by Group companies have been measured at fair value, as in previous years, except for the securities issued by the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. that were classified under the loan portfolio and were therefore valued at amortised cost.
The table below shows the information and figures for these vehicles as at 31 December 2009.

(millions of euro)

SECURITISATION SPEs	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA SEC SPA (1)	performing mortgages	14	-	-	-	Guarantee agreement (12)	13	11	7	AFS	Fair value
INTESA SEC 2 SRL (2)	residential mortgages	399	1	-	-	-	-	348	38	HFT - Loans	Fair value/ amortised cost
INTESA SEC 3 SRL (3)	residential mortgages	2,110	-	-	-	-	-	2,029	175	HFT - Loans	Fair value/ amortised cost
INTESA SEC NPL SPA (4)	non-performing loans	82	-	-	-	-	-	158	50	AFS - Loans	Fair value/ amortised cost
INTESA LEASE SEC SRL (5)	leasing contracts	151	4	-	-	-	-	132	2	HFT	Fair value
SPLIT 2 SRL	performing leasing contracts	457	-	-	-	-	-	443	40	Loans - HFT - HTM	Fair value/ amortised cost
ISP CB IPOTECARIO SRL (6)	mortgaged loans	(11)	-	-	-	-	-	-	-		
ISP CB PUBBLICO SRL (6)	public entities financing	3,887	-	3,790	3,790	-	-	3,000	3,000	Loans	Amortised cost
ISP SEC 4 SRL	performing residential mortgages	(11)	-	-	-	-	-	-	-		
ADRIANO FINANCE SRL - Series 1 (7)	performing residential mortgages	8,286	1	-	-	-	-	7,998	7,998	Loans	Amortised cost
ADRIANO FINANCE SRL - Series 2 (8)	performing residential mortgages	5,948	3	-	-	-	-	5,679	5,679	Loans	Amortised cost
ADRIANO FINANCE SRL - Series 3 (9)	performing residential mortgages	6,156	3	-	-	-	-	5,860	5,860	Loans	Amortised cost
ADRIANO FINANCE 2 SRL(10)	performing residential mortgages	13,700	10	-	-	-	-	13,050	13,050	Loans	Amortised cost
CR Firenze Mutui S.r.l.	performing residential mortgages	157	-	-	-	-	-	147	6	Loans	Amortised cost
AUGUSTO SRL (13)	long-term mortgages (100%)	37	11	-	-	-	-	46	23	AFS	Fair value
COLOMBO SRL	public works financing	112	8	-	-	Subordinated financing	5	96	-	-	-
DIOCLEZIANO SRL	long-term mortgages(82%) Public works (12%) Indus. (6%)	125	28	-	-	-	-	147	73	AFS	Fair value

(1) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. A swap contract exists as interest rate risk hedge.

(2) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. The residual of the deferred fixed price amounts to 6 million euro at 31 December 2009. A swap contract exists as interest rate risk hedge.

(3) ISP granted limited recourse subordinated financing of 23 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. A swap contract signed with ISP exists as interest rate risk hedge.

(4) ISP granted a guarantee and indemnity contract of 1 million euro, in case of declarations or guarantees which lead to a reduction in loan value. In addition, the bank is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. The subordinated financing amounts to 2 million euro. Cumulated losses shall be absorbed by tranches E (equity) and D held by ISP whose value was adjusted both in the current and in previous years. An Interest Rate Cap contract and Interest Rate Floor contract exist as interest rate risk hedge.

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

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

(7) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve as required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (440 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(8) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (398 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

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

(10) ISP granted limited recourse subordinated financing of 150 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (876 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(11) Established companies not yet operative as at 31 December 2009.

(12) Guarantee given by ISP to Calyon Milano amounting to 13 million euro as guarantee of a liquidity line granted for the same amount in favour of the vehicle by Calyon Milano.

(13) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues.

The IAS rules on first time adoption (IFRS 1) and the derecognition of financial assets and liabilities have been applied in full to the securitisations.

The securitised assets of this type of vehicle consisted of the following:
– Intesa SEC S.p.a. - performing mortgages;
– Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. - performing residential mortgages;
– Intesa SEC NPL S.p.a. - non-performing mortgages;
– Intesa Lease SEC S.r.l. and Split 2 S.r.l. - performing loans arising from leasing contracts.

The vehicle's remaining cash commitments were in addition to the above assets.
The total assets of Augusto, Colombo and Diocleziano were instead almost entirely made up of land financing or receivables for public works.
The total assets of the consolidated SPEs not derecognised (Intesa SEC 3 S.r.l., Split 2 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l., ISP CB Pubblico S.r.l.) represented around 6% of the total consolidated assets.

To complete the information, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages) pertaining to the Carifirenze Group, should also be mentioned. This vehicle, consolidated at equity, had total securitised assets as at 31 December 2009 of 142 million euro.
Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:

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

The table below shows the information and figures for the above two vehicles as at 31 December 2009.

(millions of euro)

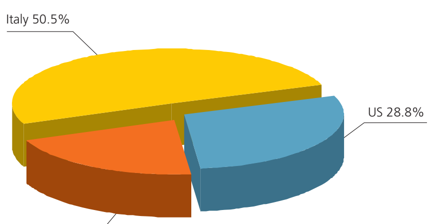
ROMULUS AND DUOMO		**Vehicle data**		**Liquidity lines**		**Guarantees given**		**Securities issued**	**of which: held by the Group**		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset back commercial paper conduit	1,810 [1]		649	76	Letter of credit	122	1,766	-	-	-
DUOMO FUNDING CORP.	purchase of assets and Romulus financing	1,203	-	1,328	-		-	-	-	-	-

[1] of which 1,192 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.

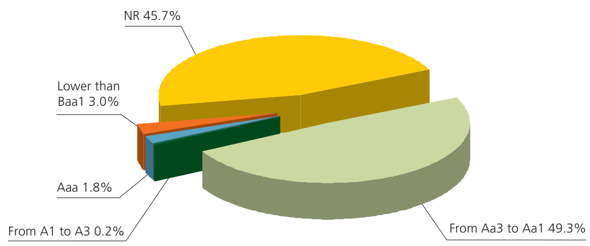
The total assets of the vehicle Romulus included loans to Duomo of 1,192 million euro. The vehicle's securities portfolio was classified entirely under the loans category. As at 31 December 2009, these securities had a nominal value of 174 million euro, measured at amortised cost. Their carrying amount as at the same date was 145 million euro. This vehicle's assets also contributed 1 million euro to liquidity and other assets, in addition to the 12 million euro from the positive fair value of hedging derivatives.
The total assets of Duomo were made up of 489 million euro of loans to Intesa Sanpaolo, as collateral for an intragroup protection sale on the risk of a leading insurance company, 124 million euro of loans to the banking subsidiary Intesa Sanpaolo Bank Ireland, 587 million euro of loans to customers, and 3 million euro of liquidity and other assets.
The total assets of the above SPEs represented around 0.5% of the total consolidated assets.

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

Breakdown by geographical area



Breakdown of assets by rating



Please note that, although part of the uses (approximately 49%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were nevertheless of sufficient quality for the commercial papers issued by Romulus to maintain the A-1+/P-1 ratings. More specifically, the percentage of assets with a rating between Aaa and Aa decreased slightly from around 55% as at 31 December 2008 to 48% as at 31 December 2009. Despite the fact that the rating of some of the securities was downgraded, the average quality of the portfolio was maintained through the acquisition of high credit quality assets.
The securities classified in the loan portfolio under discussion were made up as follows: 24% of 2002 vintage, 14% of 2003 vintage, and the remaining 62% of 2007 vintage.

Intesa Sanpaolo did not hold any stake in SPQR II S.r.l., a company that was consolidated because the Group had retained the majority of costs and benefits (SIC 12).
The table below shows the information and figures for these vehicle as at 31 December 2009.

(millions of euro)

SPQR II S.r.l.		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
SPQR II SRL (CBO 1)	Performing Loans & Receivables	1,833	-	50	-	-	-	1,781	1,781	Loans (1) (2)	Amortised cost
SPQR II SRL (CBO 2)	Performing Loans & Receivables	1,355	-	100	-	-	-	1,330	1,330	Loans (1)	Amortised cost
SPQR II SRL (Banca IMI)	Securities issued by banks and SPVs	773	-	100	-	-	-	778	778	Loans	Amortised cost

(1) The category refers to securitised loans which, in accordance with the "no derecognition" rule of IAS 39, are the only securities of this kind recognised in the IAS-compliant financial statements of BIIS and the ISP Group. The securities issued by the SPV are subject to the no derecognition rule in both the separate BIIS financial statements and the consolidated financial statements of the ISP Group.

(2) BIIS has reclassified these securities, originally classified as AFS, to the loans portfolio pursuant to paragraph 50E of the revised IAS 39. This reclassification was recorded in the Interim Statement as at 30 September 2008.

The assets of the vehicles were almost entirely made up of a portfolio of bonds issued by Italian public entities, banks and SPVs, with a nominal value of around 4 billion euro, sold to the vehicles by Banca Infrastrutture Innovazione e Sviluppo (formerly Banca OPI) and Banca IMI. These vehicles, in turn, issued senior and junior bonds and both types of securities were repurchased by the abovementioned companies, which designated the senior classes as collateral for their funding with the European Central Bank, via transactions conducted through Intesa Sanpaolo.
The total assets of securitisation SPEs represented around 0.6% of the total consolidated assets.
Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle "Da Vinci" (to hedge and actively manage risk exposure in the aircraft and aeronautic sector).
As at 31 December 2009 the Group's exposure to the vehicle Da Vinci was 2 million euro, consisting entirely of securities.

Financial Engineering SPEs

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

(millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,047	-	-	-	-	-	-	-		

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

Project Financing SPEs

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

Asset Backed SPEs

These are transactions aimed at acquisition / construction / management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend on the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the real guarantee for the financing obtained from the vehicle.

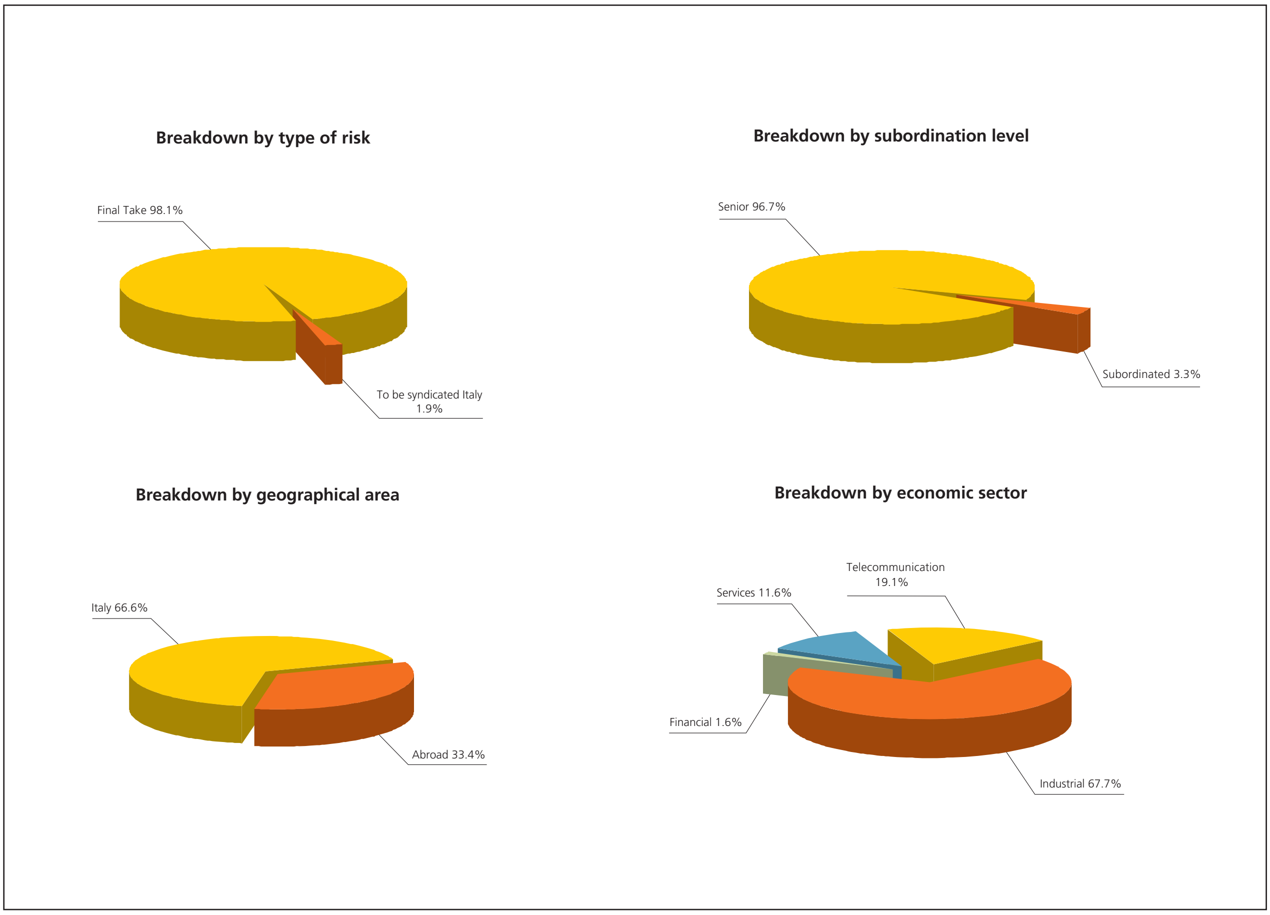
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.
The Group consolidates only those entities in which it holds the majority of voting rights. The SPEs of this type are held solely by an international subsidiary (the volume of this type of assets amounted to approximately 97 million euro as at 31 December 2009).

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

Credit Derivatives SPEs
Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from an SPE to the Bank, both by the simple sale of protection derivatives or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers the Bank the possibility of hedging risk on portfolios of assets.
There are never equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are never any equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and benefits deriving from the activities of the vehicle.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 December 2009, around 110 transactions, for a total amount granted of 5,239 million euro, met the above definition.
These exposures are classified under the loan 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

As at 31 December 2009, the hedge funds portfolio totalled 740 million euro, compared to the 852 million euro as at the 2008 year-end. The decrease was due to sales of units for a total nominal value of 321 million euro.
At the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments continued to be positive at 135 million (including 15 million euro in the structured credit products disclosure). Of these net profits:
- 31 million euro are related to profits on trading of funds for the year (including 4 million euro in the structured credit products disclosure);
- 114 million euro are related to net valuations of positions remaining at the year-end (including 11 million euro in the structured credit products disclosure);
- 10 million euro are related to other net charges.

Taking into account the net capital gains on the final residual amount (114 million euro), these were spread across 48 positions, 12 of which recording capital losses (-34 million euro) and 36 capital gains (148 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of “over the counter” (OTC) derivatives to various customer segments, through three main poles (in terms of volumes traded):

- Banca dei Territori Division, for the sale of derivative products to retail and corporate customers with consolidated turnover under 150 million euro, through the branch network of Intesa Sanpaolo and of the Group’s Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
- Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group’s Italian banks. Derivatives sold by the network are hedged back to back with Banca IMI;
- Public Finance Business Unit, for the sale of derivative products to public entities, through Banca Infrastrutture Innovazione e Sviluppo. Derivatives sold are hedged back to back with Banca IMI.

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

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

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

Considering only relations with customers, as at 31 December 2009, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), recorded a positive fair value, gross of netting arrangements, of 3,008 million euro (2,524 million euro as at 31 December 2008). The notional value of such derivatives totalled 47,107 million euro (47,076 million euro as at 31 December 2008). Of these, the notional value of plain vanilla contracts was 32,925 million euro (32,590 million euro as at 31 December 2008), and of structured contracts was 14,182 million euro (14,486 million euro as at 31 December 2008).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 253 million euro (221 million euro as at 31 December 2008). The same indicator, referred to the total contracts with a positive fair value, was 1,117 million euro.

Conversely, the negative fair value determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 327 million euro as at 31 December 2009 (443 million as at 31 December 2008). The notional value of such derivatives totalled 8,321 million euro (11,759 million euro as at 31 December 2008). Of these, notional value of plain vanilla contracts was 7,057 million euro (10,365 million euro as at 31 December 2008), and of structured contracts was 1,263 million euro (1,394 million euro as at 31 December 2008).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 31 December 2009, this led to adjustments of 104 million euro being recorded under Profits (Losses) on Trading in the income statement, compared to 65 million euro as at 31 December 2008, with a negative impact during the period of 39 million euro. Adjustments are recorded, for every single contract, at the market value determined using the risk free curves.

As regards the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see Part A of the Notes to the consolidated financial statements - Fair value measurement.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered “structured” and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges with banks and financial companies.

1.4. BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

A. General aspects, operational risk management processes and measurement methods

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual/out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

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 (with the exception of Banca CR Firenze but including Casse del Centro banks), Leasint, Eurizon Capital and VUB Banka. The remaining Companies, which currently employ the Standardised approach, will gradually migrate to the Advanced approach beginning in 2010.

The control of operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.

The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the 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 has 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 since 2008, has allowed the Group to:

– identify, measure, monitor and mitigate operational risk; and
– 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 internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative and qualitative information (self-assessment).

The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (from the Operational 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 and internal control factors, 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.

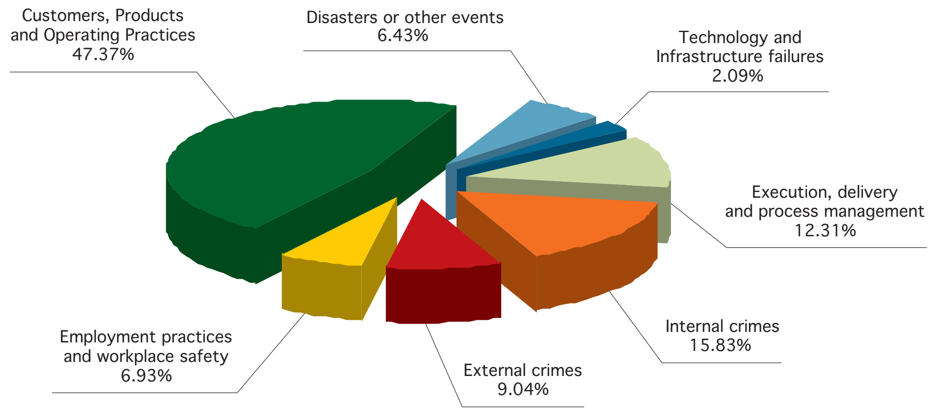
In order to support the operational risk management process on a continuous basis, during the year a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.

QUANTITATIVE INFORMATION

To determine its capital requirements, the Group employs a combination of the methods foreseen under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,249 million euro.

There follows an illustration of the breakdown of capital requirement by type of operational event.

Breakdown of capital requirement by type of operational event



Legal risks

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed to meet such obligations and where the amount of the disbursement may be reliably estimated.
The most complex legal procedures are described in the paragraphs below.

Litigation regarding anatocism

After March 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment of the United Sections of 4 November 2004, the Court of Cassation again excluded the possibility that said use may be considered regulatory for the period prior to 2000. Although case law of the first and second instances has adhered to this latter ruling, it is still possible to dispute the claims advanced by counterparties, inasmuch as many judges, when re-determining interest due, apply proper technical accounting principles that often result in a significant decrease in the claims for restitution put forward by account holders.
The overall number of pending cases is at an insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by prudential provisions to the allowances for risks and charges.

Litigation regarding bonds in default

Group policy on management of complaints on financial instruments sold sets out a case-by-case assessment, with particular attention paid to the suitability of the instruments with respect to the position of the single investor.
On the subject of Parmalat bonds in particular, Intesa Sanpaolo decided, in agreement with all of the associations representing consumers at the national level, to extend the same mediation procedure successfully applied to former Banca Intesa Group customers to former Sanpaolo IMI Group customers who had purchased these securities.
The extended procedure consequently involved all the approximately 27,000 customers of the former Sanpaolo IMI Group who bought Parmalat bonds that were then converted into shares and warrants of the new Parmalat. Approximately 16,800 customers, approximately 4,500 of whom belong to the Banche dei Territori network, elected to participate in the procedure. The examination of claims will be completed during the first four months of 2010. The evaluation process is based on the principle of fairness and is conducted by five committees organised at a regional level. Committees are equally divided into a representative of the Bank and a representative of the consumer association chosen by the customer from among those that elected to participate in the initiative.

Former Sanpaolo IMI Group customers also benefit from the support offered by the Sanpaolo IMI Customer Parmalatbond Committee. The Committee's mission is to provide free protection for the rights to compensation of participants, including by filing a civil claim in the pending trials of those responsible for the default. The results of these initiatives include three important settlements reached by the Committee and the parties against whom civil claims were brought in the trials. These settlements resulted in the availability of a total of 83.5 million euro, most of which has already been distributed to participants. A fourth settlement was added recently. Participants are currently being sought and an additional amount of approximately 15 million is expected to be recovered.
For the Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a case-by-case assessment of the individual positions. As in other legal risk assessment procedures, provisions are authorised on an individual basis after reviewing the specific circumstances that apply to particular cases.
The same criteria are applied to the assessments of claims relating to bonds issued by companies belonging to the Lehman Brothers Group whose default was declared in September 2008.
As part of a system-wide initiative, the Intesa Sanpaolo Group is overseeing the establishment of proof of debt in the insolvency procedures pending in various foreign countries for its customers who hold the aforementioned bonds, at no cost to its customers.
With respect to the related litigation, the first judgments handed down against Group Banks in 2009 rejected the claims for compensation put forward by customers on the grounds that the banks could not be held liable.

The Cirio Group default

In November 2002, the Cirio Group, one of the largest Italian groups operating in the agro-industrial sector, was declared insolvent in the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. The bonds issued by the Cirio Group had a nominal value totalling approximately 1.25 billion euro. Both the former Intesa Group and the former Sanpaolo IMI Group – like the other major banking groups – had granted loans to the Cirio Group.
In April 2007, 10 companies of the Cirio Group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto, as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:

- the worsening of the default of the Cirio group, from the end of 1999 to 2003, favoured also by the issue in the 2000/2002 period of 6 bond issues; the damages thereof are quantified – adopting three different criteria – with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, in the event that the default of Cirio group companies was not postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

In a judgment filed on 3 November 2009, the Court of Rome found the Cirio Group's claims to be unfounded on the merits and therefore rejected said claims on the grounds of a lack of a causal relationship between the actions of the banks named defendants in the suit and the claimed damage event.
In February 2010 the claimants appealed this judgment.

Equitalia Polis S.p.A. (former Gest Line S.p.A.) – Tax-collection litigation

With three different transactions, the first in September 2006, the second in December 2007 and the last in April 2008, the Bank, as part of the State's internalisation of tax-collection activities, sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate – internal revenue service – and INPS) the entire share capital of Gest Line S.p.A., now Equitalia Polis, which performed tax-collection activities in the former Sanpaolo IMI Group.
Gest Line's alleged irregularities in performing tax-collection activities in the period from the late 80s and the early 90s led to drawn-out litigation with tax-collection authorities mostly referred to the concession in Bologna. At the time of disposal of the equity investment, the Bank released specific guarantees, in addition to those provided for by the law for the State's internalisation of tax-collection activities, which also cover liabilities deriving from the aforesaid litigation.
Gest Line adhered to the amnesty for administrative irregularities introduced by Law 311/04. However, as part of the pending litigation, doubts were raised by certain Tax-Collection Offices and Administrative Judges concerning the extension of the provisions of the aforesaid amnesty. The conversion of Law Decree 248/2007 provides a clarification on the interpretation of the amnesty which should positively affect the litigation, favouring its possible extinction.
However, despite this clarification from lawmakers, there are still uncertainties surrounding the interpretation of the extension of the amnesty. In detail, although the case law of the Central Sections of the Court of Auditors has recently taken the position that the amnesty does not extend to judgments of liability for lost tax revenue, the same Sections are still considering the effects of this ruling in suits brought by claimants concerning the non-payment or release of assessed amounts found to be irrecoverable during debt recovery action.
In any event, the related risks are covered by adequate provisions.

Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto Dispute

Banca Infrastrutture Innovazione e Sviluppo, as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI for a 250 million euro bond issued by this Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. Lastly, the Court ordered compensation in favour of the Municipality, to be calculated by separate proceedings.

Both parties appealed against the judgement. Moreover, the Bank requested the stay of enforcement of the judgement and brought a case for negative clearance.
According to the legal firms assisting BIIS, there are valid grounds to believe that the first level judgement will be modified.
In February 2010, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The fact that the Municipality's debt to the Bank has been included in the insolvency procedure's "list of debts" instead of in the "rebalanced financial statements" does not, in and of itself, have consequences for the Bank's right to repayment of its loan to the Municipality and, accordingly, on the position's risk profile. The Bank intends to appeal the decision before the competent judicial authority.

Class action by Codacons
On 5 January 2010, Codacons, acting on behalf of a single account holder, served Intesa Sanpaolo with a writ of summons for a class action suit in accordance with art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit, brought before the Court of Turin, seeks a finding that the new fee structure introduced by the Bank to replace the overdraft charges is unlawful and, accordingly, a sentence ordering the Bank to provide compensation for the alleged damages, which may also be determined on an equitable basis, suffered by the claimant (who has quantified them at 1,250 euro) and all other customers in the same class who elect to participate in the initiative.
In light of the analyses conducted, the suit appears to be without foundation both with respect to admissibility requirements and the merits. Accordingly, it was not deemed appropriate to make provisions. However, the Bank reserves the right to make further inquiries into the matter if, contrary to its current opinion, the Court finds that the suit meets the admissibility requirements at the preliminary level.

Angelo Rizzoli litigation
In September 2009, Angelo Rizzoli filed against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking a finding of nullity for the transactions undertaken between 1977 and 1984 alleged to have resulted in a detrimental loss of the control that he would otherwise have exercised over Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro according to entirely subjective damage quantification criteria.
Rizzoli's claims, in addition to being without foundation on the merits due to the lack of a breach of the provision that prohibits preferential collateral rights argued to have occurred in the transactions whereby Rizzoli Editore S.p.A. was transferred, are also inadmissible at a preliminary procedural level, as held by the Bank in its motion of appearance, on the grounds that the Milan Court of Appeal had already decided the matter in its judgment of 1996, which has become res judicata, as well as that Rizzoli lacked an interest to sue due to prescription of claims for compensation or restitution and usucaption by third parties.

Other judicial and administrative proceedings
A criminal investigation is underway in the United States instigated by the New York District Attorney's Office and the Department of Justice aimed at verifying the methods used for the clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008.
The investigation involves the treatment of payment orders in dollars generally issued in the SWIFT interbank payments settled through US banks, and the alleged omission or alteration of the information relating to the originators and beneficiaries of these payments.
The Bank is cooperating in full with this investigation. A parallel administrative proceeding is also underway, initiated in March 2007 by the US banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violations of the local anti-money laundering and embargo regulations.
Based on the information available it is not currently possible to make any forecasts concerning the timescale for the completion or the outcome of these proceedings.

Tax litigation
Overall tax litigation risks are covered by adequate provisions to Allowances for risks and charges.
With respect to the Parent Company, during 2009 there were no new disputes of particular relevance and a refund of tax credits of approximately 137 million euro was obtained.
New tax credits were also recognised on the submission of applications for refunds of IRES pursuant to art. 6, paragraph 1, of Law Decree 185/08, converted into Law 2/09, which established that 10% of IRAP is deductible, effective retroactively for tax periods 2004 to 2007. These refund applications were reflected by a total of approximately 62 million euro in tax credits (approximately 35 million euro of which is claimed by the Parent Company, 22 million euro by companies participating in the national tax consolidation programme, and 5 million euro by other Group companies not participating in the national tax consolidation programme) recognised in the income statements of the Parent Company and other entitled companies by decreasing the amount of "taxes on income", resulting in an overall benefit at the consolidated level of like amount.

The outstanding tax litigation as at 31 December 2009 involving the other Italian and international companies of the Group included within the scope of consolidation amounted to a total of 572 million euro, consisting of 549 million euro for actions brought by the Financial Authorities – for taxes, penalties and interest – and to 23 million euro for tax credits

recorded in the financial statements.
The most significant disputes that arose in 2009 revolve around interpretative issues; the charges brought in this connection appear largely groundless. These include:

– a total of approximately 211 million euro claimed from Intesa Investimenti by way of IRES, IRAP, penalties and interest for 2004, 2005 and 2006 due to the reclassification of foreign dividends collected by the company;
– approximately 105 million euro claimed from Banca IMI by way of income taxes, withholdings, penalties and interest involving both the merged Banca IMI, for tax years 2004 to 2006, and the former Banca Caboto, for tax years 2004 to 2006, chiefly relating to equity dividend transactions and other issues associated with core capital market and investment banking operations;
– approximately 45 million euro claimed from Centro Leasing Banca by way of IRES, IRAP, VAT, penalties and interest for tax years 2004 to 2007 due to the reclassification of sale and lease-back transactions as ordinary loans secured by real property on the basis of the case law principle of misuse of a right. A similar charge for tax year 2003 was rejected in its entirety by the Provincial Tax Committee of Florence;
– approximately 38 million euro claimed from Banca Fideuram by way of direct taxes, penalties and interest following the extension to years 2004 to 2006 of the finding that the accrual requirement had not been met for expenses associated with the incentive plan for financial advisors;
– approximately 30 million euro claimed from Leasint by way of IRES, IRAP, VAT, penalties and interest for tax years 2005 to 2008, primarily as a result of the reclassification of a contribution and subsequent disposal of the investment as a simple disposal of a business unit and the finding that negative income components associated with the purchase of leased property was not deductible;
– approximately 17 million euro claimed from Banca Infrastrutture Innovazione e Sviluppo by way of IRES, IRAP, penalties and interest for tax years 2007 and 2008 under two charges, the first of which involves the long-term nature of the expenses incurred to incorporate Banca OPI, and the second of which involves the write-down of unlisted bonds.

The affected companies responded to the assessments served on them by initiating the litigation process before the competent tax courts to secure findings in favour of their arguments.
In a few cases of limited significance, or in which there was evidence of a likely negative outcome, it was decided to apply for the settlement procedure and pay reduced penalties.
There is no tax litigation involving foreign companies in which material amounts are at issue.
The only exception is Brazil, specifically the disposal of the investment in Sudameris Brasil. The ongoing tax litigation in Brazil is complex, in part due to recent provisions of law that would allow for it to be settled through an amnesty, for which application has been made with respect to the cases in which there was the greatest risk of a negative outcome. In addition, the risks associated with this litigation are covered by adequate provisions.

Labour litigation
During the previous year, the INPS of Turin confirmed a payment demand relating to the failure by Sanpaolo IMI to pay contributions to finance involuntary unemployment for the period 1 November 2002 – 31 December 2006. This risk has been covered by a provision considered to be sufficient based on the probable outcome of the dispute.
In general, all labour litigation is covered by provisions adequate to meet any outlays.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

QUALITATIVE INFORMATION

Life business

The typical risks of the life insurance portfolio (managed by EurizonVita, EurizonLife, SudPoloVita and CentroVita) may be divided into three main categories of risk: premium risk, life underwriting 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). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee, made up of the heads of all company functions and the General management, in order to take account of and validate its structure and features. Where the economic impact is significant revenue related information is also provided, such as results from profit testing.
Life underwriting risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.
Among the risks that require particular attention mention is also made here of the risks connected with hedging of costs. To this end, EurizonVita has developed a detailed analysis model that allows it to analyse costs by product macro-category and by life cycle of the product itself. This tool, which is shared by several departments of the Company (such as Administration, Management Control and Actuary), is used to monitor costs, the correct rating and the sustainability of the reserves.
Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.
The financial area and yield guarantees are also highly important in defining risks.

In the tables below, the structure of the mathematical reserves is shown by expiry date and the structure of the guaranteed minimum yield as at 31 December 2009.

(thousands of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	2,924,843	13.82
1 to 5 years	4,342,725	20.51
6 to 10 years	1,927,217	9.10
11 to 20 years	1,126,033	5.32
over 20 years	10,847,860	51.25
TOTAL	**21,168,678**	**100.00**

(thousands of euro)

Breakdown of risk concentration by type of guarantee	Total Reserves	%
Insurance and investment products with guaranteed annual yield		
0% - 1%	746,643	3.28
from 1% to 3%	12,631,017	55.57
from 3% to 5%	4,640,385	20.42
Insurance products	**4,735,320**	**20.83**
Shadow reserve	**-23,856**	**-0.10**
TOTAL	**22,729,509**	**100.00**

In this regard, in order to monitor all risks (underwriting and financial) better, EurizonVita uses a tool for simulating assets and liabilities, named FAP (Financial Analysis Program) which has the objective of measuring value and risk.
The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

The following table shows a breakdown by maturity of financial liabilities represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(thousands of euro)

Breakdown of financial liabilities by maturity	Within 12 months	Over 12 months	Total as at 31.12.2009	Total as at 31.12.2008
Unit linked	72,859	15,169,129	15,241,988	13,237,964
Index linked	624,261	6,983,955	7,608,216	8,002,896
Subordinated liabilities	-	275,217	275,217	308,458
Total	**697,120**	**22,428,301**	**23,125,421**	**21,549,318**

Non-life business

The risks typical of the non-life insurance portfolio (managed through EurizonTutela and CentroVita) mainly relate to premium and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves. More specifically, for companies with non-life businesses, the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.
Regarding the assumption of risk, the policies are checked at the time of purchase, using an automatic system which checks the parameters for assumption associated with the tariff of reference to verify the correspondence of the portfolio with the technical and rate settings agreed with the sales network.
The check not only concerns the form but also the substance and, in particular, allows for verification of the exposure in terms of capital – limits of liability.
Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health line of business). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.
A breakdown of the claims reserves as at 31 December 2009 for EurizonTutela and CentroVita is provided below.

(thousands of euro)

Development of Casualty Branch Reserves	Year of generation/event					
	2005	2006	2007	2008	2009	TOTAL
Reserve amount:						
as at 31/12 generation year N	-	24,575	26,107	30,629	36,623	
as at 31/12 year N+1	-	23,003	26,584	28,670	-	
as at 31/12 year N+2	-	21,680	24,743	-	-	
as at 31/12 year N+3	-	21,096	-	-	-	
Total claims paid	**37**	**18,696**	**20,250**	**18,521**	**10,915**	**68,418**
Claims reserve booked as at 31.12.2009	**-**	**2,461**	**4,606**	**10,994**	**26,371**	**44,432**
Final claims reserve for previous years						**3,187**
Total claims reserve booked as at 31.12.2009						**47,619**

2.2 FINANCIAL RISKS

ALM and financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling risk-based capital.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Policy is the 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).
Investment decisions, portfolio evolution and compliance with operating limits, articulated in diverse types, are discussed, normally on a monthly basis, by specific investment committees.
As already mentioned above, in order to measure and manage all the underwriting and financial risks together, a simulation tool, known as FAP, is also used with the objective of measuring the intrinsic value, the fair value of the liabilities and the economic capital.
The FAP is based on a dynamic Asset Liability Management (ALM) model that forecasts statistically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical features of the products, the trend in significant financial variables and a management rule which guides investments and disinvestments. This model measures the capital required to cover underwriting and financial risk factors. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration stress scenarios over year-long time spans on interest rates, on credit spread and on stock market trends.
By means of the ALM system, the FAP process makes it possible to calculate the sensitivity of liabilities with respect to the movements of market risk factors in order to effectively manage the financial assets covering technical provisions.
Any gaps between projected outflows and cash at hand are evaluated on a monthly basis in order to monitor liquidity risk arising from the difficulty of meeting outlay requirements not sufficiently covered by the redemption of investments. The asset and liability maturity profile is also evaluated on a monthly basis, seeking to keep the indicators of the average financial duration of these two components in a fixed range of tolerance, so as to ensure that assets are managed consistently with the maturity profile of the corresponding liabilities while also reflecting tactical views and market expectations.

Investment portfolios

As at 31 December 2009, the investment portfolios of the Group companies, recorded at book value, amounted to 48,805 million euro; of these, the share regarding traditional revaluable life policies and free capital ("Class C" portfolio or "portfolio at risk") amounted to 20,522 million euro, while the other component ("Class D" portfolio or "portfolio with total risk retained by the insured") mostly comprised investments related to index- and unit-linked policies and pension funds totalling 28,283 million euro.

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

Financial assets under separate management and free capital

In terms of breakdown by asset class, at the end of 2009 and net of the positions in derivative financial instruments detailed below, 93% of the assets (19,183 million euro) consisted of bonds, whereas assets subject to equity price risk represented 4.5% of the total and amounted to 911 million euro. The remainder (2.5%, 564 million euro) consisted of investments relating to UCI, private equity and hedge funds.
Investments relating to EurizonVita's and SudPoloVita's free capital amounted to 1,290 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of 36 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 5% short-term (under 1 year), 31% medium-term and 57% long-term (over five years).

(thousands of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**16,575,187**	**80.23**	**6.15**
up to 1 year	971,682	4.70	
1 to 5 years	5,564,733	26.94	
over 5 years	10,038,772	48.59	
Floating rate/indexed bonds	**2,607,433**	**12.63**	**2.70**
up to 1 year	141,863	0.69	
1 to 5 years	852,783	4.13	
over 5 years	1,612,787	7.81	
TOTAL	**19,182,620**	**92.86**	**5.68**
Equities or similar capital securities	**911,372**	**4.41**	
UCI, Private Equity, Hedge Fund	**564,318**	**2.73**	
TOTAL AS AT 31.12.2009	**20,658,310**	**100.00**	

The modified duration of the bond portfolio, calculated by means of the sensitivity to uniform and parallel variations of the interest rate curve of ±25 basis points, is 5.7 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of 4.6 years. The related portfolios of assets have a modified duration of around 4.9 years.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity. For example, a parallel shift in the yield curve of ±100 basis points leads to a negative fair value change in the bond portfolios of 982 million euro. In this scenario, the value of hedging derivatives increases by 109 million euro which party offsets the capital loss registered by bonds.

(thousands of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	16,575,187	86.96	-936,176	1,027,290
Floating rate/indexed bonds	2,607,433	13.68	-46,269	102,044
Interest rate risk hedging effect	-122,443	-0.64	108,926	-136,791
TOTAL	**19,060,177**	**100.00**	**-873,519**	**992,543**

Credit risk exposure

The investment portfolio had a high credit quality. As shown in the table below, AAA/AA bonds represented 78% of total investments and A bonds approximately 9.5%. Low investment grade securities (BBB) constituted around 5% of the total and the portion of speculative grade or unrated securities was marginal (0.5%).

(thousands of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**19,182,620**	**92.86**
AAA	6,163,170	29.83
AA	9,938,305	48.11
A	1,971,865	9.55
BBB	995,483	4.82
Speculative grade	93,689	0.45
Unrated	20,108	0.10
Equities or similar capital securities	**911,372**	**4.41**
UCI, Private Equity, Hedge Fund	**564,318**	**2.73**
TOTAL	**20,658,310**	**100.00**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments, Central Banks and other public entities made up 72% of the total investments, whereas financial companies (mostly banks) contributed to around 13% of the exposure and industrial securities made up approximately 8%.
The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2009, are shown in the table below.

(thousands of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	14,868,209	77.51	-894,254	1,029,759
Corporate bonds	4,314,411	22.49	-165,523	177,351
TOTAL	**19,182,620**	**100.00**	**-1,059,777**	**1,207,110**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 91 million euro, as shown in the table below.

(thousands of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	237,584	26.07	-23,758
Equities - Non-financial companies and other counterparties	673,788	73.93	-67,379
TOTAL	**911,372**	**100.00**	**-91,137**

Foreign exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 99% of investments are made up of assets denominated in euro. The rest hedges the reserves of the insurance policies which lead to payments in foreign currency.

Financial derivative instruments

Financial derivative instruments are used to cover the financial risks of the investment portfolio or for effective management.

Liquidity risk associated with positions in financial derivative instruments is attributable to plain-vanilla derivatives (chiefly interest rate swaps and constant-maturity swaps) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidated with the counterparty with which they were traded or other market operators.

The table below shows the book values of the financial derivative instruments as at 31 December 2009.

(thousands of euro)

Type of underlying	Interest rates		Equities, equity indices, commodities, exchange rates		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-122,443	-	-	-	-122,443
Effective management derivatives	-	-13,771	-	212	-	-13,559
TOTAL	**-**	**-136,214**	**-**	**212**	**-**	**-136,002**

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged.

SECTION 3 – RISKS OF OTHER COMPANIES

QUALITATIVE INFORMATION

The risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding, which are asset-backed commercial paper conduits, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market.
The risks associated with these entities fall within the scope of the monitoring by the Risk Management Department. More specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.
Companies are not generally permitted to take a position in foreign exchange.
Moreover, the Parent Company has defined an Investment Policy which sets out the objectives and limits of securities investments.

QUANTITATIVE INFORMATION

At the end of 2009, the investment portfolio of the vehicle Romulus included 1,797 million euro of financial instruments classified under loans to customers. Of these, 1,192 million euro consisted of loans to the vehicle Duomo and the remaining 605 million euro of securities. A part of these instruments with a nominal value of 174 million euro at 31 December 2009 falls into the category of structured credit products and was reclassified from available for sale to loans and receivables. They have a risk exposure of 145 million euro and their fair value came to 93 million euro at 31 December 2009, resulting in a benefit from reclassification of 52 million euro.
In the paragraph concerning structured credit products, the 174 million euro in securities was allocated:
- for 3 million euro to the subprime segment;
- for 13 million euro to the "contagion" area (Multisector CDOs);
- for the remaining 158 million euro to other structured credit products.

At the end of 2009, the Duomo vehicle's portfolio consisted of loans to customers of 587 million euro, in addition to loans to Group banks. The financial crisis had no significant impact on the assets held by the vehicle.

Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

The control of capital adequacy at group level and at the level of individual entities in the group is ensured by capital management which defines the size and optimum combination of the different capital instruments, consistently with the risk exposure taken on and with supervisory requirements.
The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. In this regard, the allocation of capital to the Business Units is based on their specific capacity to contribute to the creation of value, taking into account the level of return expected by shareholders.
The concept of capital at risk itself varies in relation to its measurement approach:
- regulatory capital covering Pillar 1 risks;
- overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and as to their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from the actual measurement of exposure amounts.
Hence, capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory requirements (Pillar 1) and operational constraints (Pillar 2).
This activity is dynamic over time and first of all reflects the capital requirements linked to the multi-annual objectives set out in the Business Plan. Subsequently, a review is carried out when defining annual budget targets: based on the expected trends in loans, other assets and income statement aggregates, risks are quantified and their compatibility at group level and at the level of each group entity is verified. Additionally, capital requirement monitoring is conducted during the year and on a quarterly basis, and if necessary appropriate actions are taken to direct and control balance sheet aggregates.
Further analyses for preliminary assessment of capital adequacy are performed when planning extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the Group’s perimeter.

B. Quantitative information

B.1. Consolidated shareholders' equity: breakdown by type of company

(millions of euro)

	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	Total	*of which: minority interests*
Share capital	**7,036**	**26**	**-**	**-**	**7,062**	***415***
Share premium reserve	**33,235**	**-**	**-**	**-**	**33,235**	***133***
Reserves	**10,939**	**95**	**14**	**-85**	**10,963**	***398***
Legal reserve	1,329	-	-	-	1,329	-
Extraordinary reserve	2,914	-	-	-	2,914	-
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	232	-	-	-	232	-
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302	-	-	-	302	-
Consolidation reserve	5,901	95	14	-85	5,925	398
Other reserves	261	-	-	-	261	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-2**	**-6**	**-**	**-**	**-8**	**-**
Valuation reserves	**-423**	**-19**	**-37**	**60**	**-419**	***11***
Financial assets available for sale	-104	-29	-30	24	-139	3
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-454	-	-8	8	-454	-3
Foreign exchange differences	-169	-	1	-1	-169	2
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-	-
Share of valuation reserves connected with investments carried at equity	-48	10	-	29	-9	-
Legally-required revaluations	352	-	-	-	352	9
Parent Company's net income (loss) and minority interest	**2,931**	**114**	**-5**	**-102**	**2,938**	***133***
Shareholders' equity	**53,716**	**210**	**-28**	**-127**	**53,771**	***1,090***

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In more detail, the column for the banking group indicates the amount resulting from the consolidation of the companies belonging to the banking group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the banking group and consolidated on a line-by-line basis are stated here at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the banking group. The columns Netting and adjustments on consolidation show the adjustments required to obtain the figure represented in the financial statements.

B.2. Valuation reserve of financial assets available for sale: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		Total as at 31.12.2009	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	256	-729	197	-228	-	-30	-149	215	304	-772
2. Equities	381	-63	38	-25	-	-	-38	25	381	-63
3. Quotas of UCI	26	-6	5	-6	-	-	-4	5	27	-7
4. Loans	13	-14	-	-	-	-	-	-1	13	-15
Total as at 31.12.2009 (*)	**676**	**-812**	**240**	**-259**	**-**	**-30**	**-191**	**244**	**725**	**-857**
Total as at 31.12.2008	**648**	**-2,303**	**160**	**-528**	**-**	**-43**	**-256**	**1,028**	**552**	**-1,846**

(*) This amount includes 7 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Approximately 50% of the negative reserve on equities is attributable to securities classified as level 1.

B.3. Valuation reserve of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**-1,108**	**-141**	**-18**	**-27**
2. Positive fair value differences	**856**	**598**	**50**	**28**
2.1 Fair value increases	681	319	35	1
2.2 Reversal to the income statement of negative reserves	141	246	11	-
- impairment	*3*	*175*	*10*	-
- disposal	*138*	*71*	*1*	-
2.3 Other changes	34	33	4	27
3. Negative fair value differences	**-216**	**-139**	**-12**	**-3**
3.1 Fair value decreases	-143	-91	-11	-1
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-64*	*-19*	*-1*	-
3.4 Other changes	-9	-29	-	-2
4. Closing amount (*)	**-468**	**318**	**20**	**-2**

(*) This amount includes 7 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Trading on treasury shares

During the year, Intesa Sanpaolo and Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:	
Initial number	3,022,021
Purchased	16,240,478
Sold	-16,506,730
End-of-year number	2,755,769

Non-convertible savings shares:	
Initial number	103,000
Purchased	239,466
Sold	-236,000
End-of-year number	106,466

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Scope of application of regulations

Regulatory capital has been calculated on the basis of new instructions (Circular 263 of December 2006 and 12th update of Circular 155 of February 2008) issued by the Bank of Italy following the new prudential provisions for banks and banking groups introduced by the New Basel Capital Accord (Basel 2).

The "New regulations for the prudential supervision of banks" enable banks and banking groups to adopt internal risk measurement systems for calculating capital requirements subject to the prior authorisation of the Bank of Italy, provided that the bank or banking group meets specific minimum organisational and quantitative requirements. The Group secured permission to use the IRB Foundation approach for the Corporate segment, effective from the report as at 31 December 2008, on an initial scope of Group companies. During 2009, the Group initiated the process of expanding the Group's scope of application of internal models involving the approval of the use of the IRB Foundation approach for the other subsidiaries.

The Group has obtained permission to use the Advanced AMA approach (internal model) to determine the capital requirements for operational risks, effective from the report as at 31 December 2009, on an initial scope that includes most of the banks and companies within the Banca dei Territori Division. The remaining companies, currently using the Standardised approach, will gradually migrate to the Advanced approaches beginning in 2010.

2.2. Bank regulatory capital

A. Qualitative information

Regulatory capital is calculated as the sum of positive components, with certain limits, and negative components, on the basis of their capital quality; positive components, in order to be eligible for the calculation of capital absorptions, must be fully available for the Bank.

Regulatory capital is made up of Tier 1 capital and Tier 2 capital, adjusted by the "prudential filters" and net of certain deductions. In particular:

- Tier 1 capital includes paid-in share capital, reserves, innovative and non-innovative capital instruments, retained net income for the period; plus positive "prudential filters" of Tier 1 capital; the total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, "other negative components", as well as negative Tier 1 "prudential filters", make up "Tier 1 capital before items to be deducted".
  Tier 1 capital is made up of the difference between "Tier 1 capital before items to be deducted" and 50% of "items to be deducted";
- Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, 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 elements related to loans, other negative components, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted".
  Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50% "items to be deducted".

Each caption of Tier 1 and Tier 2 capital includes both the amounts attributable to the Banking group and minority-interest shareholders.

The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:

- for financial assets available for sale, relative to equities, quotas of UCI and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded;
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised.

The "Tier 1 capital before items to be deducted" and "Tier 2 capital before items to be deducted" are deducted on a 50/50 basis, as set out above, of the equity investments, the excess expected losses with respect to total adjustments of the corporate regulator in portfolio and the expected losses in relation to equities and – where they have the characteristics to be eligible for inclusion in the issuer's regulatory capital – of the innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.

Concerning equity investments and subordinated instruments held in insurance companies, until 31 December 2012 they are deducted from Total capital, instead of 50% each from Tier 1 and Tier 2, if acquired before 20 July 2006.

The main contractual characteristics of innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised in the following tables.

1. Tier 1 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
SANPAOLO IMI Capital Company I	8.126%; from 10/11/2010 1-year Euribor + 3.5% p.a.	YES	10-Nov-2000	perpetual	10-Nov-2010	Eur	1,000,000,000	1,000
Intesa Preferred LLC III	6.988% fixed rate; from 12/07/2011 3-month Euribor +2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Eur	500,000,000	499
Intesa Sanpaolo	8.047% up to 20/06/2018 (excluded); thereafter at 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	1,250,000,000	1,250
Intesa Sanpaolo	8.698% up to 24/9/2018 (excluded); thereafter at 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	250,000,000	250
Intesa Sanpaolo	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bp p.a.	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500,000,000	1,500
Total preference shares and innovative equity instruments (Tier I)								**4,499**

2. Tier 2 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	6.625% fixed rate	NO	8-May-2008	8-May-2018	NO	Eur	1,250,000,000	1,240
Intesa Sanpaolo	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	120,000,000	120
Banca CR Firenze	6-month Euribor + 1.40%	NO	19-Jun-2002	21-Jun-2012	NO	Eur	200,000,000	200
Banca CR Firenze	6-month Euribor + 0.95%	NO	5-Dec-2003	5-Dec-2013	NO	Eur	200,000,000	147
Centro Leasing Banca	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	30
Total hybrid instruments (Upper Tier II)								**1,737**
Banca di Trento e di Bolzano	1st year: 4%; 2nd year: 4.10%; thereafter 71% 10-year swap rate with minimum 3%	NO	4-Apr-2003	4-Apr-2010	NO	Eur	9,000,000	2
Banca di Trento e di Bolzano	1st year: 3.00%; 2nd year: 3.30%; 3rd year: 3.70%; 4th year: 4.10%; 5th year: 4.50%; 6th year: 5.10%; 7th year: 5.70%	NO	4-Apr-2003	4-Apr-2010	NO	Eur	16,000,000	3
Centro Leasing Banca	up to 27/9/2011 (excluded): 3-month Euribor + 0.65% p.a.; thereafter 3-month Euribor + 1.25% p.a.	YES	27-Sep-2006	27-Sep-2016	27-Sep-2011	Eur	90,000,000	90
Cassa di Risparmio della Spezia	for the first 5 years: 3-month Euribor + 0.10%; for the following 5 years: 3-month Euribor + 0.30%	YES	14-Dec-2007	14-Dec-2017	14-Dec-2012	Eur	30,000,000	30
Banca CR Firenze	6-month Euribor	NO	7-Jan-2003	3-Feb-2010	NO	Eur	30,000,000	6
Banca CR Firenze	3-month Euribor	NO	19-Jan-2004	18-Feb-2011	NO	Eur	23,000,000	9
Banca CR Firenze	6-month Euribor	NO	21-Jun-2004	28-Jul-2011	NO	Eur	40,000,000	16
Banca CR Firenze	3-month Euribor + 0.45%; as of 30/5/2010 3-month Euribor + 0.70%	YES	30-May-2005	30-May-2015	30-May-2010	Eur	16,200,000	16
Banca CR Firenze	6-month Euribor + 0.15%	NO	10-Apr-2006	22-May-2013	NO	Eur	85,000,000	68
Banca Intesa Beograd	6-month Euribor + 2.25%	NO	15-Jun-2006	15-Dec-2012	15-Jun-2011	Eur	60,000,000	36
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000,000,000	142
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	30-Jun-1998	1-Jul-2013	NO	Lit	200,000,000,000	58
Intesa Sanpaolo	8% 1st coupon, 5% 2nd coupon, 4% 3rd coupon, thereafter 70% of 10-year swap rate	NO	9-Mar-1999	9-Mar-2014	NO	Lit	480,000,000,000	209
Intesa Sanpaolo	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	250,000,000	218

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	5.30% fixed rate	NO	22-Oct-1999	1-Jan-2010	NO	Eur	150,000,000	30
Intesa Sanpaolo	5.20% fixed rate	NO	7-Dec-1999	1-Jan-2010	NO	Eur	90,000,000	18
Intesa Sanpaolo	5.30% fixed rate	NO	21-Jan-2000	1-Jan-2010	NO	Eur	100,000,000	20
Intesa Sanpaolo	5.50% fixed rate	NO	16-Feb-2000	1-Jan-2010	NO	Eur	41,000,000	8
Intesa Sanpaolo	6.11% fixed rate; as of 23/2/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65,000,000	65
Intesa Sanpaolo	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Eur	50,000,000	50
Intesa Sanpaolo	5.35% fixed rate	NO	9-Apr-2001	9-Apr-2011	NO	Eur	125,478,000	50
Intesa Sanpaolo	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Eur	265,771,000	159
Intesa Sanpaolo	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Eur	126,413,000	74
Intesa Sanpaolo	3-month Euribor + 0.25%	YES	8-Feb-2006	8-Feb-2016	8-Feb-2011	Eur	1,500,000,000	1,459
Intesa Sanpaolo	5.50% fixed rate; as of 19/12/2011 3-month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	Gbp	1,000,000,000	1,123
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	Gbp	250,000,000	281
Intesa Sanpaolo	6.375% fixed rate	NO	6-Apr-2000	6-Apr-2010	NO	Eur	500,000,000	100
Intesa Sanpaolo	2.90% fixed rate, as of 1/8/2010 6-month Euribor + 0.74% p.a.	YES	1-Aug-2005	1-Aug-2015	1-Aug-2010	Eur	20,000,000	19
Intesa Sanpaolo	5.375% fixed rate	NO	13-Dec-2002	13-Dec-2012	NO	Eur	30,000,000	180
Intesa Sanpaolo	up to 20/02/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor +0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Eur	750,000,000	712
Intesa Sanpaolo	up to 9/6/2010 (excluded): 3.75% p.a. thereafter: 3-month Euribor + 1.05% p.a.	YES	9-Jun-2003	9-Jun-2015	9-Jun-2010	Eur	350,000,000	342
Intesa Sanpaolo	up to 18/03/2019 (excluded): 5.625% p.a.; thereafter: 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	165,000,000	185
Intesa Sanpaolo	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Eur	700,000,000	684
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	2-Mar-2005	2-Mar-2020	2-Mar-2015	Eur	500,000,000	496
Intesa Sanpaolo	up to 19/04/2011 (excluded): 3-month Euribor +0.20% p.a.; thereafter: 3-month Euribor +0.80% p.a.	YES	29-Apr-2006	19-Apr-2016	19-Apr-2011	Eur	500,000,000	492
Intesa Sanpaolo	up to 26/6/2013 (excluded): 4.375% p.a., thereafter: 3-month Euribor +1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Eur	500,000,000	492
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415,000,000	415
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	545,000,000	545
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	382
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	800
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,097,000,000	1,038
Intesa Sanpaolo	5.75% fixed rate; as of 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Eur	1,000,000,000	979
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,500,000	633
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,000,000	162
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,491

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Cassa dei Risparmi di Forlì e della Romagna	up to 10/6/2005 (included): 3-month Euribor + 0.40% p.a.; thereafter 3-month Euribor +1.00% p.a.	YES	10-Jun-2005	10-Jun-2015	10-Jun-2010	Eur	70,000,000	54
Pravex Bank	7.025% (Libor + 5%)	NO	other issues placed as of 12/09/2000	other issues with final expiry at 31/07/2016	NO	Usd	14,100,000	11
Total eligible subordinated liabilities (Lower Tier II)								**14,452**
TOTAL								**20,688**

3. Tier 3 capital
No subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations, to "cover" market risks.

B. Quantitative information

(millions of euro)

	31.12.2009	31.12.2008
A. Tier 1 capital before the application of prudential filters	**32,170**	**29,352**
B. Tier 1 capital prudential filters	-932	-1,639
B.1 Positive IAS/IFRS prudential filters (+)	*-*	*-*
B.2 Negative IAS/IFRS prudential filters (-)	*-932*	*-1,639*
C. Tier 1 before items to be deducted (A+B)	**31,238**	**27,713**
D. Items to be deducted from Tier 1	**1,033**	**639**
E. Total Tier 1 capital (C-D)	**30,205**	**27,074**
F. Tier 2 capital before the application of prudential filters	**16,599**	**15,387**
G. Tier 2 capital prudential filters	**-94**	**-**
G.1 Positive IAS/IFRS prudential filters (+)	*-*	*-*
G.2 Negative IAS/IFRS prudential filters (-)	*-94*	*-*
H. Tier 2 before items to be deducted (F+G)	**16,505**	**15,387**
I. Items to be deducted from Tier 2	**1,033**	**639**
L. Total Tier 2 capital (H-I)	**15,472**	**14,748**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**2,923**	**2,774**
N. Regulatory capital (E+L-M)	**42,754**	**39,048**
O. Tier 3 capital	**-**	**30**
P. Regulatory capital including Tier 3 (N+O)	**42,754**	**39,078**

2.3. Capital adequacy

A. Qualitative information
According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006), which adopt the provisions on the International Convergence of Capital Measurement and Capital Standards (Basel 2), the banking group's capital must amount to at least 8% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques.
Banks must comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities, settlement risk, and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk for debt securities. Intesa Sanpaolo's internal model also includes the calculation of the specific risk for certain types of credit derivatives in the trading book, whereas Banca IMI's model includes the position risk on quotas of UCI (for the CPPI component). Effective from the first quarter of 2009, the scope of validated risks was

extended to dividend derivatives. The standard methods are used for other risks. Counterparty risk is calculated independently of the portfolio of allocation.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the single companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital adequacy: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.
Having obtained authorisation from the Supervisory Authority, the Intesa Sanpaolo Group with effect from 31 December 2008 has adopted the Foundation Internal Rating Based (FIRB) approach to calculate its credit risk and counterparty risk capital requirements with reference to the regulatory portfolio Exposures to corporates. The scope of application of the FIRB approach as at 31 December 2009 includes the Parent company, the network banks (with the exception of Casse del Centro) and the main specialised lending companies.
With regard to operational risks, following the completion of implementation of the AMA approach for some Group Companies, which include Banks and Companies of the Banca dei Territori Division (with the exception of the former CR Firenze Group but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka, authorisation from the Bank of Italy was obtained for the use of the internal Advanced Measurement Approach (AMA) in the calculation of the capital requirements.

B. Quantitative information

(millions of euro)

	Unweighted amounts		Weighted amounts/ requirements	
	31.12.2009	**31.12.2008**	**31.12.2009**	**31.12.2008**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**540,605**	**582,919**	**316,258**	**335,556**
1. Standard methodology	344,625	387,507	165,206	194,458
2. Methodology based on internal ratings	191,735	187,208	148,331	138,199
2.1 Base	*191,735*	*187,208*	*148,331*	*138,199*
2.2 Advanced	-	-	-	-
3. Securitisations	4,245	8,204	2,721	2,899
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**25,301**	**26,844**
B.2 Market risk			**1,344**	**1,444**
1. Standard methodology			1,191	1,243
2. Internal models			96	198
3. Concentration risk			57	3
B.3 Operational risk			**2,249**	**2,327**
1. Base methodology			109	70
2. Standard methodology			794	2,257
3. Advanced methodology			1,346	-
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**38**	**31**
B.6 Total capital requirements			**28,932**	**30,646**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**361,648**	**383,072**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**8.4%**	**7.1%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			**11.8%**	**10.2%**

SECTION 3 – INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The following is a list of the insurance companies controlled solely by Intesa Sanpaolo Group and subject to insurance supervision:
– Centrovita Assicurazioni;
– Eurizon Vita;
– EurizonLife;
– EurizonTutela;
– Sud Polo Vita.

As insurance parent company, Eurizon Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP Regulation 18 of 12 March 2008 (the insurers' code), Eurizon Vita is required to prepare a "consolidated aggregate". EurizonTutela and EurizonLife fall within the scope of this aggregate, inasmuch as they are 100% owned by EurizonVita, as do Centrovita and Sud Polo Vita, inasmuch as they are subject to unitary management under the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the "consolidated aggregate" prepared by Eurizon Vita. Corrections represented by the "prudential filters" are then applied to these figures. The application of these filters, which involves an asymmetrical approach, aims to eliminate only the effects of the application of IAS/IFRS deemed inconsistent with the objective of a calculation for prudential purposes. Prudential filter provisions refer to:
– the re-measurement of technical reserves;
– unrealised capital gains;
– other filters.

For the purposes of the solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, resulting in the required solvency margin. The latter, which is computed according to the provisions of ISVAP Regulation 28 of 17 February 2009, consists of the sum of the parent insurance company's solvency margin and the proportional share of the minimum solvency margin of the subsidiary or associate insurance companies of the parent insurance company or insurance companies subject to unitary management.

As at 31 December 2009 the insurance aggregate showed a "solvency ratio", defined as the ratio of the available margin to the required margin, of approximately 170%.

The Intesa Sanpaolo Group does not hold any investments in insurance companies subject to joint control.
The Group has an equity investment of a marginal amount in an insurance company located in Slovakia, controlled solely through VUB Banka.

SECTION 4 – CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	**46,340**
B. Capital requirements for banking elements	28,932
C. Solvency margins for insurance elements	1,238
D. Total capital requirements of the financial conglomerate (B+C)	**30,170**
E. Financial conglomerate surplus (definct) (A-D)	**16,170**

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services.
The capital adequacy of the Intesa Sanpaolo financial conglomerate was calculated in accordance with the supplementary supervisory provisions issued by the Bank of Italy.
As at 31 December 2009 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by approximately 16,170 million euro.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

During the year, the Group did not carry out any business combinations governed by IFRS 3 resulting in the acquisition of control of businesses or legal entities.

However, the Group did undertake several extraordinary intragroup transactions, although these were without effects on the consolidated financial statements. Such transactions, which are scoped out of IFRS 3, involved the transfer of business lines or legal entities between companies within the Intesa Sanpaolo Group or business combinations between entities under common control. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded line by line in the individual statements of the companies involved, without recognition of any economic effect.

The intragroup transactions completed during the year concerned:
- the contribution and transfer of Intesa Sanpaolo branches to Banca di Credito Sardo (the former Banca CIS);
- the contribution of branches from Intesa Sanpaolo to Intesa Sanpaolo Private Banking;
- the spin-off of branches from Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio del Veneto, Cassa di Risparmio di Venezia, Banca dell'Adriatico and Banco di Napoli to Intesa Sanpaolo Private Banking;
- the contribution of branches from Cassa dei Risparmi di Forlì e della Romagna to Intesa Sanpaolo Private Banking and subsequent sale of the investment to Intesa Sanpaolo;
- the contribution of business lines from Intesa Sanpaolo (and other Group companies) to Intesa Sanpaolo Group Services;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio in Bologna;
- the contribution of branches from Intesa Sanpaolo to Cassa dei Risparmi di Forlì e della Romagna;
- the contribution of the financial advisors business from Banca CR Firenze to Sanpaolo Invest and the subsequent transfer of the equity stake to Banca Fideuram;
- the transfer of the equity stake held in Centro Vita by Banca CR Firenze and Cassa di Risparmio di Pistoia to Intesa Sanpaolo;
- the merger by incorporation of Intesa Distribution International Services S.A. and of CR Firenze Gestion Internationale S.A. into Eurizon Capital S.A.;
- the contribution of branches from Intesa Sanpaolo to Banca dell'Adriatico;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio del Friuli Venezia Giulia;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio di Venezia;
- the contribution of branches from Intesa Sanpaolo to Banca di Trento e Bolzano;
- the contribution of a business line from Intesa Sanpaolo to Banca IMI;
- the contribution (and subsequent transfer of the equity investment to Intesa Sanpaolo) of Banca CR Firenze's portfolio management business to Eurizon Capital;
- the transfer of equity stakes held in Intesa Sanpaolo Leasing Romania IFN by CIB Leasing LTD and CIB Credit Ltd to Intesa Sanpaolo;
- the reverse merger of Neos Banca into Neos Finance;
- the merger by incorporation of Private Equity International S.A. into NHS Investments S.A.;
- the contribution of the custodian bank business line from Banca Fideuram to Intesa Sanpaolo Servizi Transazionali and subsequent transfer of the equity stake to Intesa Sanpaolo;
- the merger by incorporation of Immit into Intesa Sanpaolo;
- the merger by incorporation of Sanpaolo IMI Investimenti per lo Sviluppo into IMI Fondi Chiusi;
- the partial spin-off of SEP to Infogroup;
- the partial spin-off of Mediocredito Lombardo to Intesa Sanpaolo, involving the transfer of the equity stakes in Leasint and Banca di Credito Sardo to the Parent Company's direct control;
- several reorganisation transactions internal to the CIB Group.

Annual changes in goodwill

(millions of euro)

	31.12.2009
Initial goodwill	**19,694**
Increases	**11**
- Goodwill recorded in the year	-
- Positive foreign exchange differences and other changes	11
Decreases	**-867**
- Reclassification of Securities Services business to non-current assets held for sale and discontinued operations	-531
- Impairment recorded in the year	-
- Disinvestments	-49
- Negative foreign exchange differences and other changes	-287
Final Goodwill	**18,838**

Goodwill

(millions of euro)

Goodwill	31.12.2009	31.12.2008
Banca dei Territori	11,468	11,901
Corporate and Investment Banking	3,116	3,455
Public Finance	10	10
International Subsidiary Banks	1,864	1,938
Eurizon Capital	1,411	1,411
Banca Fideuram	969	979
Total	**18,838**	**19,694**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

No business combinations were carried out after the end of 2009.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

The Management Board has adopted the Intesa Sanpaolo "Regulations on the management of transactions with related parties" approved by the Supervisory Board and intended for all companies within the Group. The Regulations set out the criteria and principles for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market.

In accordance with the criteria set out in IAS 24, the Regulations define the rules for identifying in concrete terms the various entities belonging to the categories defined by this accounting principle (companies related through controlling or joint stakes, joint ventures, pension funds, Key Managers, close family members of Key Managers and related significant shareholding positions).

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.

Although no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management in accordance with IAS 24, the Management and Supervisory Boards have decided it is best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference standards, in order to include those Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the bank's voting share capital greater than 2% (calculated considering only shares owned).

This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same assessment and approval procedure 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, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons for the transaction and its potential effects on the Bank's financials.

With regard to approval, the transactions falling under the sole responsibility of the Management Board are "significant" transactions between the Parent company and its related parties. "Significant" transactions are those with a major economic, capital and financial impact, as defined on the basis of specific qualitative and/or quantitative criteria applying to each type of transaction. In particular, they include:

1) transactions for an amount in excess of 3 million euro (or in excess of 20 million euro if the transactions are with companies belonging to the banking or corporate Group, reduced to half for companies that are not wholly owned):
    a) the purchase and sale of real estate;
    b) the underwriting, purchase or sale of stakes in the company, even if they do not lead to changes in the Banking Group;
    c) the purchase and sale of companies, business lines or entire business portfolios;
    d) framework agreements governing the provision of services or the placement or distribution of products/services with annual duration and automatic renewal, or multi-year;
2) transactions for an amount in excess of 25% of each company's Tier 1 capital/shareholders' equity or, in any case, higher than 25 million euro, investments in companies of the banking or corporate Group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the subsidiary's regulatory capital, the granting of overdrafts that are not for the purpose of supporting the subsidiary's core business;
3) the granting of overdrafts to related parties that are not part of the Banking Group, for an amount in excess of 0.50% of the consolidated regulatory capital;
4) financial and commercial transactions other than those mentioned above for an amount in excess of 20 million euro, excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits have been established for non-performing exposures (substandard, doubtful and restructured loans).

The Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid, methods or timeframes, may have effects on safeguarding company assets or on the thoroughness or correctness of disclosures, including accounting information, regarding Intesa Sanpaolo (any such transactions are also included in information provided to the market in accordance with article 71 bis of Issuers Regulation 11971/99).

In compliance with the provisions of the Corporate Governance Code, transactions having a value in excess of twice the levels established as being under the jurisdiction of the Management Board are also subject to the prior opinion of the Control Committee formed within the Supervisory Board.

In any case, the Control Committee must review transactions that are under the jurisdiction of the Management Board if any economic conditions have been identified that differ from those of the market, except when subsidiaries are involved.

The Regulations also establish that decision-making bodies can make use of independent experts, where considered appropriate, according to the degree of significance of the transaction, its specific economic or structural characteristics and the nature of the related party.
Concerning transactions carried out by subsidiaries, the Regulations specify which cases require a decision from the Board of Directors of the companies involved. Each company may also choose to include specific internal control measures in its own decision-making process. It is also expected to adopt a set of rules equivalent to the ones drawn up by the Parent company to regulate the transactions initiated by the company itself with its "own related parties".
Based on the Regulations, the prior opinion of the Parent company's Control Committee is also required for the most significant transactions between subsidiaries and parties related to the Parent company.
Moreover, the Regulations 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. Different quantitative thresholds must be decided for each type of transaction. All of the above is aimed at providing a complete overview of the most significant transactions, as well as the volumes and the main features of all those delegated.
Finally, please note that if the related party is one of the players that have direction, administration or control functions, the special decision-making procedure set out in article 136 of the Consolidated Law on Banking also applies. It subjects the transaction to the prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned article 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).
The provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may come into play in a significant manner 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.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities (Key Managers)

The following table shows the amounts of the compensation paid in 2009 to Supervisory and Management Board Members and the General Managers of the Parent company and of fully consolidated companies, as well as the compensation paid to other Managers of the Parent company with strategic responsibilities ("Key Managers") which fall within the notion of "related party".

(millions of euro)

	31.12.2009
Short-term benefits (1)	109
Post-retirement benefits (2)	2
Other long-term benefits (3)	-
Employee termination indemnities (4)	6
Stock option plans (5)	-
Total remuneration paid to Key managers	**117**

(1) Includes fixed and variable compensation of directors that may be assimilated with labour cost and social security charges paid by the company for its employees.

(2) Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to legislation and company regulations.

(3) Includes estimate of allocations for length of service awards for employees.

(4) Includes fees paid for early retirement incentive.

(5) Includes cost for stock option plans determined on the basis of IFRS 2 and charged to the consolidated financial statements.

A detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, to other Key Managers (article 78 of Issuers Regulation 11971/99), as well as the stock option plans

reserved for Supervisory and Management Board Members, General Managers and Key Managers is provided in Part H of the Notes to the Parent company's financial statements.
The details and the evolution of the stock option plans relative to Key Managers are provided in Part H of the Notes to the Parent company's financial statements.

Shareholdings of Supervisory and Management Board Members and Key Managers

The table below indicates the shareholdings in Intesa Sanpaolo and in other Group companies, directly or indirectly held by Supervisory and Management Board Members, by General Managers of the Parent company and by Key Managers as well as by the other persons as set forth by article 79 of Issuers Regulation 11971.

Surname and name	Equity investment	Number of shares held at the end of 2008	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2009
Bernheim Antoine	Intesa Sanpaolo ord.	398,533			398,533
Ferro Angelo	Intesa Sanpaolo ord.	180,830			180,830
Ferro Angelo	Intesa Sanpaolo ord.	4,277			4,277
Ferro Angelo [(a)]	Intesa Sanpaolo ord.	1,925			1,925
Fontana Giuseppe [(a)]	Intesa Sanpaolo rnc.	2,000			2,000
Micheli Francesco	Intesa Sanpaolo ord.	2,100,124			2,100,124
Ottolenghi Emilio	Intesa Sanpaolo ord.	1,032,285			1,032,285
Ottolenghi Emilio [(a)]	Intesa Sanpaolo ord.	12,460			12,460
Ottolenghi Emilio [(b)]	Intesa Sanpaolo ord.	14,528,072			14,528,072
Passera Corrado	Intesa Sanpaolo ord.	6,426,499			6,426,499
Rossi Orazio	Intesa Sanpaolo ord.	163,827			163,827
Sacchi Morsiani Gian Guido	Intesa Sanpaolo ord.	700,164			700,164
Salza Enrico	Intesa Sanpaolo ord.	7,787			7,787
Salza Enrico [(a)]	Intesa Sanpaolo ord.	10,123			10,123
Salza Enrico [(b)]	Intesa Sanpaolo ord.	23,850			23,850
Other Key managers [(c)]	Intesa Sanpaolo ord.	1,259,745	6,885	13,624	1,253,006
	Intesa Sanpaolo rnc.	125,000			125,000

[(a)] In the name of the spouse.

[(b)] Indirectly held.

[(c)] Of which 15,360 shares as at 31.12.2008 and 22,245 shares as at 31.12.2009 in the name of relatives. Period end values take into account the changes in the composition of "Other Key managers".

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

During 2009, no "atypical or unusual" transactions were carried out by the Group, either with related parties or entities other than related parties, the importance/relevance of which might have given rise to concerns regarding the protection of shareholders' equity or of minority shareholders' interests (any atypical or unusual transactions must also be disclosed to the market pursuant to article 71 bis of Consob Regulation 11971/99).

Transactions of ordinary or recurrent nature

Ordinary or usual transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with intragroup related parties, as they are netted in the consolidated financial statements, are not included.
Receivable and payable balances with related parties as at 31 December 2009 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.

	31.12.2009	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	10,118	1.8
Total other assets	13	0.1
Total financial liabilities	2,646	0.8
Total other liabilities	916	0.4

	31.12.2009	
	Amount (millions of euro)	**Impact** (%)
Total interest income	130	0.7
Total interest expense	-16	0.2
Total fee and commission income	168	2.7
Total fee and commission expense	-5	0.4
Total operating costs	-50	0.5

The table below sets out the main terms of reference of transactions with each category of related party, as identified by IAS 24, net of intragroup operations. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, as well as information on Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the Bank's voting share capital greater than 2% (calculated considering only shares owned) i.e. on parties that are not related pursuant to IAS 24, but are nevertheless included as a form of self-regulation. With regard to Investments in associates and companies subject to joint control, please see the tables in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – Section 10.

(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	-	-	-	-	-	10	-	-	9	-	-	-
Companies subject to joint control	6	-	8	-	-	64	-	-	30	-	11	-
Associates	47	-	32	-	2	3,157	3	3	294	47	367	847
Key Managers and control bodies	-	-	-	-	-	3	-	-	26	-	-	-
Other related parties	2	-	-	-	-	110	-	-	530	-	106	69
Total	**55**	**-**	**40**	**-**	**2**	**3,344**	**3**	**3**	**889**	**47**	**484**	**916**
Shareholders (*)	1,707	33	482	-	136	4,319	10	52	629	1,026	432	468

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

Other financial liabilities include liabilities associated with non-current assets held for sale and discontinued operations for 904 million euro for the transfer of the business branch to State Street.

Relations between the Intesa Sanpaolo Group and Key Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not subject to full consolidation and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.

The Group's most significant relations with associates include those with Intesa Vita, Telco, the NH Hoteles Group, Bank of Qingdao, Penghua Fund Management, Nuovo Trasporto Viaggiatori and Alitalia Compagnia Aerea Italiana.

With regard to transactions with companies subject to joint control (joint ventures) during the year we should highlight, inter alia, those with Findomestic, which are attributable to the Group's normal business activities, in joint venture with other parties. As at 31 December the company was reclassified among AFS assets following the dilution of the equity interest held.

A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2009 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).

The category "Other related parties" includes the Bank's pension funds, the close relatives of board members, entities controlled by or related to the latter.

Particularly significant transactions

Please note that, in accordance with IAS 24, no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management; nevertheless, the Management and Supervisory Boards have deemed it best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference regulations, in order to include Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the bank's voting share capital greater than 2% (calculated considering only shares owned). This approach enables closer monitoring of transactions with the main Shareholders, by subjecting these transactions to the same assessment and approval procedure as applied to transactions with related parties, and by including them in the summary reporting table in the previous paragraph.

On 23 June a project was approved to rationalise the Group's bancassurance activities, based on specialisation by distribution network. This project will lead to the creation of a single company to serve the Group's banking networks and a life insurance company to serve Banca Fideuram's financial advisors. The companies involved are: Intesa Vita, 50% owned, a joint venture with the Generali Group; Centrovita Assicurazioni, 51% owned, a joint venture with Cardif Assurance (BNP Paribas Group) and the subsidiaries Eurizon Vita and Sud Polo Vita.

Completion of the project is contingent on obtaining of the required authorisation from Surveillance Bodies. As part of this project, Intesa Sanpaolo acquired 51% of Centrovita Assicurazioni from Cassa di Risparmio di Firenze (43%) and Cassa di Risparmio di Pistoia (8%) for total consideration of 75 million euro, determined according to the company's embedded value as at 30 June 2009.

The operations of the entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are illustrated in the Notes to the consolidated financial statements - Part E – Information on risks and the relative hedging policies, to which reference should be made.

Transactions during the year undertaken with key managers, their close family members and entities controlled by or associated with them, are attributable to the Intesa Sanpaolo Group's normal operations and are fully compliant with applicable legislation.

The Group's most significant dealings with associates during the year include the loans granted to Telco SpA, GCL Holdings Lp Sarl, RCS Mediagroup SpA, Euromilano SpA, NH Hoteles SA, Autostrada Pedemontana Lombarda SpA, Nuovo Trasporto Viaggiatori SpA, Alitalia Compagnia Aerea Italiana SpA and other minor associates. All financing was disbursed at market interest rates. The Group renewed the Framework Agreement for the distribution of insurance products with Intesa Vita. Share capital increases were subscribed with respect to NH Hoteles, Nuovo Trasporto Viaggiatori, Autostrada Pedemontana Lombarda and other minor associates. The other initiatives completed in 2009 include the purchase by Pirelli & C. Real Estate of a 10% interest in Pirelli & C. Real Estate SGR for the price of 20 million euro. On 14 December 2009, Intesa Sanpaolo and IMI Investimenti sold their respective interests of 37.95% and 19.99% in Esaote for total consideration of 98.4 and 51.8 million euro, respectively, to a newly incorporated entity; IMI Investimenti invested 40.6 million euro to acquire a 19.97% interest in the new entity (Tutti SpA) that acquired 100% of Esaote as part of arrangements with a new shareholder. The transaction took place at market conditions. Financing was disbursed to the new entity at market interest rates.

On 26 February 2010, Telco completed a 1.3 billion euro bond issue that was then subscribed for by its shareholders on a proportional basis. The proceeds of the issue were used to make repayment in full of the bridge loan of 0.9 billion euro disbursed by the shareholders Telefonica, Intesa Sanpaolo and Mediobanca and the bank bridge loan of approximately 0.4 billion euro disbursed by Intesa Sanpaolo and Mediobanca.

With regard to transactions with companies subject to joint control (joint ventures) during the year, the Group participated on a proportional basis in a share capital increase of Findomestic Banca following the resolution of the extraordinary Shareholders' meeting of 13 May 2009. On 10 December 2009, as part of the transaction involving the transfer of the interest in Findomestic Banca to the BNP Paribas Group, Cassa di Risparmio di Pistoia e Pescia sold its investment in Cassa di Risparmio di Firenze for consideration of 71 million euro, determined according to the pricing scheme agreed upon as part of the broader transaction of transferring the investment. As at 31 December the company (25% owned) was reclassified among AFS assets following the dilution of the equity interest held.

Last, 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 in the first half of 2009) to stabilise and gradually reduce the total debt owed by the Carlo Tassara Group to Italian and foreign banks, by 31 December 2011. During the period, the disposal of investments held continued as scheduled in order to reduce exposure. Given the arrangements reached, the position was allocated among restructured loans, without recognising any provisions, owing to the sufficiency of net asset value.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent company's financial statements.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Stock option plans already resolved on by SANPAOLO IMI

On 14 November 2005, the Board of Directors of SANPAOLO IMI launched a stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 executives holding key positions in the Group with a strong influence on the strategic decisions aimed at achieving Business Plan objectives and increasing the value of the Group.

The plan provides for the assignment, redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, of a total of 30,059,750 options, exercisable after approval of the 2008 financial statements and no later than 30 April 2012 at a strike price of 3.9511 euro.

B. QUANTITATIVE INFORMATION

Intesa Sanpaolo

Stock option plans in 2009

	Number of shares	Average strike price (euro)	Market price (euro)
Rights existing as at 31 December 2008	24,608,500	3.951	2.519 (a)
Rights exercised in 2009	-	-	-
Rights expired (b)	-934,500	3.951	-
Rights annulled in 2009 (c)	-	-	-
Rights assigned in 2009	-	-	-
Rights existing as at 31 December 2009	23,674,000	3.951	3.165 (d)
Of which: exercisable as at 31 December 2009	-	-	-

(a) Official price at the reference date of 30 December 2008.

(b) Rights no longer exercisable following expiry of exercise period.

(c) Rights no longer exercisable following termination of employment.

(d) Official price at the reference date of 30 December 2009.

Details on strike price and residual maturity

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2009	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012	23,674,000	-	-

Part L – Segment reporting

Breakdown by business area: income statement 2009 [a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Net interest income	6,466	2,010	368	1,433	2	158	49	10,486
Dividends and profits (losses) on investments carried at equity	103	-52	-	2	13	-	-20	46
Net fee and commission income	3,254	930	41	527	297	441	-149	5,341
Profits (Losses) on trading	105	624	-14	277	4	15	111	1,122
Income from insurance business	439	-	-	-	-	-	-2	437
Other operating income (expenses)	51	39	3	-24	7	-3	-25	48
Operating income	**10,418**	**3,551**	**398**	**2,215**	**323**	**611**	**-36**	**17,480**
Personnel expenses	-3,466	-373	-37	-575	-58	-126	-952	-5,587
Other administrative expenses	-2,587	-471	-44	-425	-79	-184	598	-3,192
Adjustments to property, equipment and intangible assets	-63	-8	-	-137	-1	-18	-453	-680
Operating costs	**-6,116**	**-852**	**-81**	**-1,137**	**-138**	**-328**	**-807**	**-9,459**
Operating margin	**4,302**	**2,699**	**317**	**1,078**	**185**	**283**	**-843**	**8,021**
Goodwill impairment	-3	-2	-	-	-	-	5	-
Net provisions for risks and charges	-100	-6	-2	3	-4	-43	-145	-297
Net adjustments to loans	-2,004	-932	-125	-633	-	-	-12	-3,706
Net impairment losses on other assets	-70	-61	-	-8	-	-	-96	-235
Profits (Losses) on investments held to maturity and on other investments	421	72	-	3	-	-	49	545
Income (Loss) before tax from continuing operations	**2,546**	**1,770**	**190**	**443**	**181**	**240**	**-1,042**	**4,328**
Taxes on income from continuing operations	-892	-485	-70	-78	-47	-58	670	-960
Merger and restructuring-related charges (net of tax)	-175	-12	-	-1	-	-4	-22	-214
Effect of purchase price allocation (net of tax)	-257	-	-4	-	-39	-85	-	-385
Income (Loss) after tax from discontinued operations	52	-	-	-	-	-	117	169
Minority interests	-62	-	-	-	-	-	-71	-133
Net income	**1,212**	**1,273**	**116**	**364**	**95**	**93**	**-348**	**2,805**

Breakdown by business area: balance sheet as at 31 December 2009[a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Loans to customers	184,561	101,527	40,890	29,511	171	1,982	15,391	374,033
Direct customer deposits	225,489	93,215	6,203	27,583	3	7,502	61,949	421,944
of which: due to customers	*140,701*	*30,022*	*4,586*	*25,713*	*3*	*7,085*	*2,704*	*210,814*
securities issued	*62,126*	*59,968*	*1,617*	*1,870*	-	*417*	*59,245*	*185,243*
financial liabilities designated at fair value through profit and loss	*22,662*	*3,225*	-	-	-	-	-	*25,887*

[a] Figures from the reclassified forms as described in the Report on operations.

[b] Netting between segments is reported by the Corporate Centre.

Distribution by geographical area: income statement 2009 [(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	8,081	2,017	388	10,486
Dividends and profits (losses) on investments carried at equity	32	-9	23	46
Net fee and commission income	4,310	928	103	5,341
Profits (Losses) on trading	932	309	-119	1,122
Income from insurance business	347	90	-	437
Other operating income (expenses)	25	21	2	48
Operating income	**13,727**	**3,356**	**397**	**17,480**
Personnel expenses	-4,894	-590	-103	-5,587
Other administrative expenses	-2,634	-510	-48	-3,192
Adjustments to property, equipment and intangible assets	-532	-139	-9	-680
Operating costs	**-8,060**	**-1,239**	**-160**	**-9,459**
Operating margin	**5,667**	**2,117**	**237**	**8,021**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-309	15	-3	-297
Net adjustments to loans	-2,977	-710	-19	-3,706
Net impairment losses on other assets	-218	-17	-	-235
Profits (Losses) on investments held to maturity and on other investments	540	3	2	545
Income (Loss) before tax from continuing operations	**2,703**	**1,408**	**217**	**4,328**
Taxes on income from continuing operations	-724	-217	-19	-960
Merger and restructuring-related charges (net of tax)	-213	-1	-	-214
Effect of purchase price allocation (net of tax)	-356	-29	-	-385
Income (Loss) after tax from discontinued operations	228	-59	-	169
Minority interests	-86	-35	-12	-133
Net income	**1,552**	**1,067**	**186**	**2,805**

Breakdown by geographical area: balance sheet as at 31 December 2009[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	323,780	40,252	10,001	374,033
Direct customer deposits	323,964	68,921	29,059	421,944
of which: due to customers	*171,453*	*34,853*	*4,508*	*210,814*
securities issued	*140,835*	*19,857*	*24,551*	*185,243*
financial liabilities designated at fair value through profit and loss	*11,676*	*14,211*	-	*25,887*

Breakdown by geographical area is carried out with reference to the country of residence of Group entities.

(a) Figures from the reclassified forms as described in the Report on operations.

Report and Parent Company's financial statements

REPORT ON OPERATIONS

Intesa Sanpaolo – Financial highlights and alternative performance measures

	2009	2008	Changes amount	%
Income statement (millions of euro)				
Net interest income	3,530	4,250	-720	-16.9
Net fee and commission income	2,113	2,294	-181	-7.9
Profits (Losses) on trading	326	-823	1,149	
Operating income	7,709	7,207	502	7.0
Operating costs	-4,351	-4,644	-293	-6.3
Operating margin	3,358	2,563	795	31.0
Net adjustments to loans	-1,345	-931	414	44.5
Income after tax from discontinued operations	101	892	-791	-88.7
Net income	1,843	1,055	788	74.7
Balance sheet (millions of euro)				
Loans to customers	178,550	194,416	-15,866	-8.2
Direct customer deposits	250,456	250,697	-241	-0.1
Indirect customer deposits	150,146	151,444	-1,298	-0.9
of which: assets under management	*68,585*	*69,233*	*-648*	*-0.9*
Total assets	421,647	412,887	8,760	2.1
Shareholders' equity	47,785	45,674	2,111	4.6
Operating structure				
Number of employees	28,618	29,686	-1,068	
- Italy	*28,077*	*29,127*	*-1,050*	
- Abroad	*541*	*559*	*-18*	
Number of branches	2,438	2,888	-450	
- Italy	*2,422*	*2,872*	*-450*	
- Abroad	*16*	*16*	*-*	

Figures restated on a consistent basis.

	2009	2008
Profitability ratios (%)		
Cost / Income	56.4	64.4
Net income / Average shareholders' equity (ROE) [a]	3.9	2.3
Risk ratios (%)		
Net doubtful loans / Loans to customers	0.9	0.6
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	71.8	72.2
Capital ratios (%) [b]		
Tier 1 capital [c] net of preference shares / Risk-weighted assets (Core Tier 1)	21.3	13.9
Tier 1 capital [c] / Risk-weighted assets	24.0	15.1
Total capital [d] / Risk-weighted assets	31.4	19.5
Risk-weighted assets (in millions of euro)	166,519	249,674
Shares [e]		
Number of ordinary shares (thousands)	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	3.165	2.519
Average share price for the period - ordinary share (euro)	2.569	3.834
Average market capitalisation (in millions of euro)	32,228	48,639
Book value per share (euro)	4.033	3.855
Long-term rating		
Moody's	Aa2	Aa2
Standard & Poor's	AA-	AA-
Fitch	AA-	AA-

Figures restated on a consistent basis.

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

[b] Ratios as at 31 December 2008 are determined using the methodology set out in the Basel 2 Capital Accord.

[c] 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.

[d] 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.

[e] Figures for 2008 not restated. Book value per share does not consider treasury shares.

The Parent company Intesa Sanpaolo

General aspects

For the purpose of a more effective presentation of results, the income statement and balance sheet of the Parent Company, Intesa Sanpaolo, as at 31 December 2009, reclassified as appropriate with respect to the scheme set out in Bank of Italy Circular 262/05, are presented hereafter. The comparative figures from 2008 have been restated by adjusting historical figures as appropriate to reflect retroactively the effects of corporate transactions, the sales and contributions of branches in 2009, and components that were transferred to assets held for sale and discontinued operations during the year.

Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the financial statements, as also required by Consob in its Communication n. 6064293 of 28 July 2006.

Restatements in the income statement involved:

- the contribution of branches in 2009 as part of the project to reorganise the network at the geographical level. In detail, the transactions involved:
  - in the first quarter of 2009, Cassa di Risparmio in Bologna, Cassa di Risparmio di Forlì e della Romagna and Banca di Credito Sardo, with 39, 14 and 93 branches, respectively;
  - Banca dell'Adriatico and Cassa di Risparmio del Friuli Venezia Giulia, with 33 and 19 branches, respectively, effective 27 July 2009;
  - on 14 September 2009, Cassa di Risparmio di Venezia and Banca di Trento e Bolzano with 11 and 7 branches;
- the contribution of private-banking branches to Intesa Sanpaolo Private Banking effective 2 March 2009;
- the contribution of the Investment Banking business unit to Banca IMI on 14 September 2009;
- the contributions of the services unit to the consortium company Intesa Sanpaolo Group Services on 20 April and 22 June 2009;
- the incorporation of the subsidiary IMMIT, effective as of 1 October 2009 for legal purposes and 1 January 2009 for accounting and tax purposes;
- the reclassification to a specific caption, in accordance with IFRS 5, of the effects on the income statement of the Securities Services unit, which is planned to be sold to third parties in the first half of 2010.

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been recognised in Profits (Losses) on trading;
- fair value adjustments in hedge accounting, which were 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 reclassified to profits (losses) on trading;
- profits (losses) on financial assets and liabilities designated at fair value through profit and loss have been recognised in profits (losses) on trading;
- administrative expenses are net of recoveries from customers;
- profits and losses on disposal or repurchase of loans are posted in net adjustments to loans;
- net impairment losses on other financial activities, relating to guarantees, commitments and credit derivatives, are reported in net adjustments to loans;
- net impairment losses on financial assets available for sale and other financial activities, apart from those described above, have been recognised in net impairment losses on other assets;
- profits (losses) on equity investments together with profits (losses) on disposal of investments, are recognised in profits (losses) on investments held to maturity and on other investments;
- 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 similar approach has been used for the time value of employee termination indemnities and allowances for risks and charges;
- merger and restructuring-related charges have been reclassified, net of the tax effect, to a separate caption, mainly from personnel expenses, administrative expenses and, to a lesser extent, from other income statement captions;
- the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption. It represents adjustments and any impairment to financial assets and liabilities and intangible assets that were measured at fair value as provided for by IFRS 3.

On the balance sheet, in addition to the restatement of figures for the transactions illustrated above, some assets and liabilities were grouped together, specifically:

- cash and cash equivalents were included in the residual caption other assets;
- hedging derivatives and fair value changes of financial assets/liabilities in hedged portfolios were included in other assets/liabilities;
- property and equipment and intangible assets were grouped in a single caption;
- amounts due to customers and securities issued were grouped in a single caption;

– allowances for specific purposes (employee termination indemnities and allowances for risks and charges) were grouped in a single caption;
– reserves were recognised in aggregate form, net of any treasury shares.

Again, for the purposes of a more effective representation of the composition of the aggregates, in the relative comments, financial assets/liabilities held for trading have been presented on a net basis.

Reclassified income statement

(in millions of euro)

	2009	2008	Changes	
			amount	%
Net interest income	3,530	4,250	-720	-16.9
Dividends	1,349	1,185	164	13.8
Net fee and commission income	2,113	2,294	-181	-7.9
Profits (Losses) on trading	326	-823	1,149	
Other operating income (expenses)	391	301	90	29.9
Operating income	**7,709**	**7,207**	**502**	**7.0**
Personnel expenses	-2,316	-2,367	-51	-2.2
Other administrative expenses	-1,844	-2,025	-181	-8.9
Adjustments to property, equipment and intangibles assets	-191	-252	-61	-24.2
Operating costs	**-4,351**	**-4,644**	**-293**	**-6.3**
Operating margin	**3,358**	**2,563**	**795**	**31.0**
Net provisions for risks and charges	-146	-214	-68	-31.8
Net adjustments to loans	-1,345	-931	414	44.5
Net impairment losses on other assets	-68	-324	-256	-79.0
Profits (Losses) on investments held to maturity and on other investments	28	-950	978	
Income (Loss) before tax from continuing operations	**1,827**	**144**	**1,683**	
Taxes on income from continuing operations	114	557	-443	-79.5
Merger and restructuring-related charges (net of taxes)	-127	-334	-207	-62.0
Effect of purchase price allocation (net of tax)	-72	-204	-132	-64.7
Income (Loss) after tax from discontinued operations	101	892	-791	-88.7
Net income	**1,843**	**1,055**	**788**	**74.7**

Figures restated on a consistent basis.

Intesa Sanpaolo's 2009 income statement closed with a net income of 1,843 million euro, marking a significant improvement over the previous year.
The operating margin amounted to 3,358 million euro, up 31% on the previous year, attributable to both revenue growth and lower operating costs.
In detail, operating income amounted to 7,709 million euro, up 7% on the previous year.
At the level of individual aggregates, net interest income fell by 16.9% to 3,530 million euro due to the erosion of spreads in 2009 and the elimination of overdraft charges. These effects were mitigated by the significant contribution of derivatives purchased to protect against interest rate risk on funding through securities and the interest rate risk implicit in demand deposits, deemed to be stable over time and thus generally resistant to rate fluctuations. Overall, hedging derivative contracts generated a net income of 1,752 million euro, compared to net charges of 641 million in 2008.
Dividends came to 1,349 million, up 13.8%, owing to the greater distribution of profits by several subsidiaries.
Net fee and commission income, which amounted to 2,113 million euro, was down by 7.9%, attributable to management, dealing and consultancy activities and, in particular, the decrease in income generated by the placement of securities (-28%) and portfolio management (-73%). Income flows from the distribution of insurance products were generally stable.
Commissions on commercial banking activities increased by 5.8%, primarily affecting guarantees given (+20.5%) and, to a lesser extent, collection and payment services (+12.8%) and current accounts (+1.7%). Fees on credit and debit cards were down slightly (-6.2%).
The bull market performance in mid 2009 resulted in a recovery of profits on trading. The year ended with profits on trading of 326 million euro, compared to a loss of 823 million euro reported in late 2008, when the effects of the financial crisis were most acute. Interest rate transactions (debt securities and interest rate derivatives) yielded approximately 147 million euro in profits, trading of equity instruments generated profits of approximately 101 million euro, and other segments posted profits of 125 million euro, which more than offset the negative valuation of structured credit products, which came to 47 million euro compared to -574 million euro in the previous year.

Other operating income came to 391 million euro, up by nearly 30%, and consists essentially of revenues on services rendered to Group companies during the period prior to the contribution of the services unit to the consortium company ISGS. During the year, there were also non-recurring positive components relating to the 59 million euro received as the result of the settlement of an important dispute.
Operating costs came to 4,351 million euro and were down 6.3%, a decrease that involved all components, albeit to differing extents.
Personnel expenses were 2,316 million euro and fell by 2.2%, attributable both to a decrease in the workforce and lower post-employment benefit expenses.
Administrative expenses came to 1,844 million euro, down by approximately 9% on 2008, across almost all components, except for property management expenses, which were up slightly. The most marked decline was in general structure costs, information technology expenses, legal fees and fees for services rendered by Group companies.
Adjustments to property and equipment and intangible assets, equal to 191 million euro, were down by 24.2%.
The trends of operating income and costs described above led to an operating margin of 3,358 million euro, with a 31% growth on the previous year.
Net provisions for risks and charges were 146 million euro, down by nearly 32% on 2008, and are essentially associated with probable risks arising from revocatory actions, compensation suits, legal disputes and other issues. Net adjustments to loans amounted to 1,345 million euro, increasing more than 44% from the previous year; more than 50% of these adjustments reflect analytical assessment of substandard loans, while the remaining part mainly relates to doubtful and past-due loans.
Net impairment losses on other assets of 68 million euro (324 million euro in 2008), are entirely attributable to adjustments to financial assets available for sale. The main impairment losses were taken on the investments in Parmalat (41 million euro) and Milano Assicurazioni (18 million euro).
Profits on investments held to maturity and other investments came to 28 million euro (compared to net losses of 950 million euro in the previous year), attributable, on the one hand, to the impairment loss of 122 million euro as a result of the impairment testing of these investments and, on the other, gains on the disposal of investments of 149 million euro. The main impairment losses on investments involved Pravex Bank (104 million euro, to account for the subsidiary's loss for the year and exchange differences on the carrying amount), NH Italia (10 million euro) and other minor investments. Gains refer primarily to the sale of the investments in Esaote (57 million euro), IntesaTrade Sim (20 million euro) and SI Holding (13 million euro).
Income before tax from continuing operations thus amounted to 1,827 million euro, compared to 144 million euro in the previous year, which was weighed down by the significant impairment losses on equity investments and financial assets and the negative performance of trading activities.
Taxes on income from continuing operations came to a positive 114 million euro. The tax position for the year was primarily influenced by the positive non-recurring effect of 526 million euro arising from the difference between the reversal to the income statement of deferred tax assets at full rates and the substitute tax charge at reduced rates due to the detaxation of intangible assets (511 million euro) pursuant to Law Decree 185/2008, converted into Law 2/2009, and of employee termination indemnities (15 million euro), pursuant to Law 244/2008 (2008 Finance Law). If these non-recurring components are excluded, the taxes come to -412 million euro.
In the reclassified financial statements charges connected to the integration process between Banca Intesa and Sanpaolo IMI are recorded in specific captions – net of taxes. In detail, merger and restructuring-related charges, net of taxes, amounted to 127 million euro and consist essentially of other administrative expenses directly attributable to the integration of the two banks and residual expenses pertaining to activation of the Solidarity Allowance associated with the early retirement incentive programme.
The effect of purchase price allocation represents the negative result, in terms of interest adjustments, amortisation and depreciation and capital gains/losses, attributable to the revaluation of loans, real estate and financial assets and the recognition of new intangible assets upon registration of the merger between Banca Intesa and Sanpaolo IMI, in application of IFRS 3. These negative components amounted to 72 million euro net of the relative tax effect, compared to 204 million euro in the previous year, which included about 74 million euro of impairment losses on intangible assets relating to the distribution component of asset management.
Lastly, income after tax from discontinued operations, equal to 101 million euro, consists primarily of the reclassification of income components associated with the Securities Services business line, which is planned to be sold in the first half of 2010, in addition to the net income on the sale of branches to third-party banks as part of the instructions provided by the Italian Competition Authority in relation to the merger by incorporation of Sanpaolo IMI into Banca Intesa and the acquisition of the CR Firenze Group.
The income statement closed with a net income for the period of 1,843 million euro.

Reclassified balance sheet

(in millions of euro)

Assets	31.12.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	29,653	22,614	7,039	31.1
Financial assets designated at fair value	333	340	-7	-2.1
Financial assets available for sale	11,995	7,129	4,866	68.3
Investments held to maturity	1,305	2,097	-792	-37.8
Due from banks	116,067	108,675	7,392	6.8
Loans to customers	178,550	194,416	-15,866	-8.2
Equity investments	42,327	41,928	399	1.0
Property, equipment and intangible assets	11,646	11,688	-42	-0.4
Tax assets	4,132	4,146	-14	-0.3
Non-current assets held for sale and discontinued operations	6,450	4,291	2,159	50.3
Other assets	19,189	15,563	3,626	23.3
Total Assets	**421,647**	**412,887**	**8,760**	**2.1**

Liabilities and Shareholders' Equity	31.12.2009	31.12.2008	Changes	
			amount	%
Due to banks	93,160	78,615	14,545	18.5
Due to customers and securities issued	250,456	250,697	-241	-0.1
Financial liabilities held for trading	10,463	15,861	-5,398	-34.0
Financial liabilities designated at fair value	-	-	-	-
Tax liabilities	707	2,123	-1,416	-66.7
Liabilities associated with non-current assets held for sale and discontinued operations	5,721	4,035	1,686	41.8
Other liabilities	11,018	12,962	-1,944	-15.0
Allowances for specific purpose	2,337	2,920	-583	-20.0
Share capital	6,647	6,647	-	-
Reserves	38,309	37,323	986	2.6
Valuation reserves	986	649	337	51.9
Net income	1,843	1,055	788	74.7
Total Liabilities and Shareholders' Equity	**421,647**	**412,887**	**8,760**	**2.1**

Figures restated on a consistent basis.

With reference to balance sheet aggregates, loans to customers came to 178,550 million euro as at 31 December 2009, down 8.2% compared to the end of 2008. A breakdown by sector shows a significant decrease in commercial banking loans, most markedly in loans and advances and current accounts, technical forms used primarily by businesses, in addition to the substantial stability of mortgages and growth in repurchase agreements.

As to loan quality, non-performing loans to customers stood at 8,372 million euro compared to 3,605 million euro at the end of 2008, with a coverage ratio of approximately 38%.

In detail, doubtful loans rose from 1,219 to 1,555 million euro, marking an increase of 336 million euro with a coverage ratio of approximately 72%; substandard positions rose from 1,815 to 4,099 million euro, an increase of 2,284 million euro with a coverage ratio of 19%; and restructured loans amounted to 1,983 million euro, up by 1,705 million euro compared to the beginning of the year, with a coverage ratio of 4%. Growth refers primarily to the classification of a position of significant amount that is expected to be recovered in full. Past due exposures came to 735 million compared to 293 million euro at the end of 2008, with a coverage ratio of 5%. The increase was partially due to the inclusion of exposures secured by real estate past due by more than 90 days, instead of the previous term of over 180 days, following clarification provided by the Supervisory Authority.

Performing loans to customers, excluding securities, came to 164,979 million euro, compared to 186,506 million euro at the end of 2008 and are associated with collective adjustments of 792 million euro, which, excluding loans to Group companies of 30,130 million euro, result in a coverage ratio of approximately 0.6%, slightly higher than in the previous year.

Direct customer deposits, including securities issued, came to 250,456 million euro, holding steady at December 2008 values at the overall level, primarily owing to the effect of an increase in bond funding, partially offset by the decrease in other forms of short-term funding typical of banking operations.

At the end of December, indirect deposits amounted to 150 billion euro compared to 151 billion euro at the end of 2008, excluding components associated with the Securities Services business line, which is being disposed.

Financial assets held for trading, which include debt securities and equities held for trading purposes, came to 19,190 million euro, net of liabilities of 10,463 million euro, marking an increase over 31 December 2008 of over 12 billion euro in absolute terms, essentially attributable to the securities portfolio, owing in part to an increase in temporary investments of liquidity in government bonds instead of loans on the interbank market.
Financial assets available for sale amounted to 11,995 million euro, an increase of 68% from 2008; they comprise equity stakes, private equity investments and debt securities and equities. The increase consisted essentially of debt securities issued by banks.
Equity investments, at 42,327 million euro, comprise equity investments in subsidiaries, associates and companies subject to joint control. The net increase with respect to the figure as at 31 December 2008 came to 1%.
Shareholders' equity, including net income for the year, amounted to 47.8 billion euro, compared to 45.7 billion euro at the end of 2008, owing both to the reinforcement resulting from the non-distribution of net income from the previous year and the improvement in valuation reserves for financial instruments available for sale.
AFS valuation reserves showed an increase of 361 million euro, primarily due to the improvement in the valuation at fair value at period end of equities, as well as debt securities, albeit to a lesser extent.

Other information

This Report on the Intesa Sanpaolo S.p.A. financial statements includes only a comment on the Bank's performance and related alternative performance indicators. For all other information required by Law, reference should be made to the Consolidated Report on Operations or the Notes to these separate financial statements.
Specifically, the Report on the Consolidated financial statements should be referred to for:
- information on risks and uncertainties, as the same considerations illustrated apply also to the corresponding paragraph of the consolidated financial statements;
- risks linked to capital stability and to going concern issues, briefly discussed in the introduction to the Consolidated Report on Operations; in addition, Part F of the Notes to the separate financial statements provides information on capital;
- information required pursuant to art. 123-bis of the Consolidated Law on Finance.

Reference should instead be made to the Notes to these separate financial statements with regard to:
- information on the Bank's transactions with related parties, provided in Part H. As regards Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, in aggregate form by other Key Managers and other persons pursuant to art. 79 of Issuers Regulation 11971/99, details are provided in Part H of the Notes to the consolidated financial statements;
- information on financial and operational risks, illustrated in Part E;
- information regarding obligations pursuant to art. 36 of the Market Regulation, with reference to subsidiaries located in non-EU member states, provided in Part A;
- the list of subsidiaries, companies subject to joint control and companies subject to significant influence as at 31 December 2008, provided in Part B.

Information on the Corporate Governance system of Intesa Sanpaolo is contained in a separate volume.
Lastly, it should be specified that pursuant to article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group.

Forecast for 2010

With regard to prospects for 2010 for the Parent company Intesa Sanpaolo, forecasts are consistent with those of the Group.

In detail, there are expectations for some improvement in operating income, through a recovery in net fee and commission income, stable net interest income and a decrease in operating costs compared with 2009. Net adjustments to loans are projected to decrease slightly compared to 2009, whereas merger and restructuring-related charges are expected to fall markedly. Taking into account capital gains from the capital management measures currently being finalised, net income is expected to exceed that recorded in 2009.

The Management Board

Milano, 19 March 2010

Proposals to the Shareholders' Meeting

Distinguished Shareholders,

Pursuant to article 2364 bis of the Italian Civil Code and articles 7.3 and 28.3 of the Company’s Articles of Association, we submit to Your approval the proposal for the allocation of net income for financial year 1 January - 31 December 2009. Therefore we propose distribution of dividends in respect of currently outstanding shares as follows: 0.091 euro per non-convertible savings share and 0.08 euro per ordinary share. As a result, the net income of 1,843,432,100.51 euro would be allocated as follows:

	(euro)
Net income for the period	1,843,432,100.51
Assignment of a dividend of 0.091 euro (determined pursuant to Art. 28 of the Articles of Association) for each of the 932,490,561 savings shares, for a total disbursement of	84,856,641.05
Assignment of a dividend of 0.080 euro for each of the 11,849,332,367 ordinary shares, for a total disbursement of	947,946,589.36
for a total disbursement for dividends of	1,032,803,230.41
Assignment to the Allowance for charitable, social and cultural contributions	10,000,000.00
Assignment to the Extraordinary reserve of the residual net income (*)	800,628,870.10

The proposed allocation of net income makes it possible to remunerate shareholders consistently with sustainable profitability and the strengthening of the Group’s capital structure (if this proposal is approved, the Core Tier 1 would be more than 7%, Tier 1 would be 8.4% and total capital ratio would come to 11.8%), in line with the guidelines issued by the International Organisations and the Supervisory Authority.
We propose that the dividend be made payable, in compliance with legal provisions, as of 27 May 2010, with detachment of the coupon on 24 May 2010.

Pursuant to art. 6, paragraph 1, letter a) of Legislative Decree 38/2005, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2009 such amount was 48,646,747.94 euro.

If the proposal for the allocation of net income obtains Your approval, the resulting shareholders' equity of Intesa Sanpaolo S.p.A. will be as indicated in the table below.

(*) Please remind (see Notes to the financial statements – Part I) that on 14 November 2005 the Board of Directors of Sanpaolo IMI launched a stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 Group executives. This plan, as redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, provides for the assignment of a total of 30,059,750 options for the subscription of ordinary shares, exercisable after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 euro.
Although highly unlikely given the current stock market prices of the ordinary share, if one or more of the option holders were to exercise their option rights by 16 April 2010 by subscribing ordinary shares carrying regular rights, the subscriber(s) would be entitled to receive the dividend for 2009, payable at 0.08 euro per share; in this case, the total dividend disbursement would need to be recalculated and raised by the Shareholders’ Meeting, with the assignment to the extraordinary reserve lowered by the same amount.

N.B.: as no option holder exercised its right to subscribe new shares within the aforementioned date, no changes were made to the Proposals to the Shareholders’ Meeting. *(Note added after approval of the Annual Report 2009 by the Supervisory Board on 12 April 2010).*

(millions of euro)

Shareholders' equity	Annual report 2009	Change due to the allocation of 2009 net income	Share capital and reserves after the allocation of 2009 net income
Share capital			
- ordinary	*6,162*	-	*6,162*
- savings	*485*	-	*485*
Total share capital	**6,647**	**-**	**6,647**
Share premium reserve	33,271	-	33,271
Reserves	5,038	801	5,839
Valuation reserves	986	-	986
Treasury shares	-	-	-
Total reserves	**39,295**	**801**	**40,096**
TOTAL	**45,942**	**801**	**46,743**

The Management Board

Milano, 19 March 2010

Certification of the Parent company's 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 Parent company's financial statements during 2009.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Parent company's financial statements as at 31 December 2009 was performed in the context of the reorganisation of corporate processes and IT systems consequent on the extraordinary integration procedures implemented in recent years. The assessment was based on methods defined by Intesa Sanpaolo consistently with the COSO and – for the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The Parent company's financial statements as at 31 December 2009:
   - 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.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer, together with a description of the main risks and uncertainties.

19 March 2010

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 on the Parent Company's financial statements

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the financial statements of Intesa Sanpaolo S.p.A. as of and for the year ended December 31, 2009, comprising the balance sheet, the statement of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present the comparative data of the preceding year. As described in the explanatory notes, the Management Board restated the comparative data related to the financial statement of the preceding year, on which we issued our auditors' report on March 25, 2009. We have examined the methods adopted to restate the comparative financial data for the preceding year and the information presented in the explanatory notes in this respect for the purpose of our opinion on the financial statements as of and for the year ended December 31, 2009.
3. In our opinion, the financial statements of Intesa Sanpaolo S.p.A. at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Intesa Sanpaolo S.p.A. for the year then ended.

4. The Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the Report on operations and the Corporate Governance Report and information on Ownership Structures in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on operations and on the Corporate Governance Report and information on Ownership Structures restricted to the information reported therein in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Corporate Governance Report and information on Ownership Structures, are consistent with the financial statements of Intesa Sanpaolo S.p.A. as of December 31, 2009.

Turin, Italy, March 26, 2010

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

PARENT COMPANY'S FINANCIAL STATEMENTS

Financial statements

Balance sheet

(euro)

Assets		31.12.2009	31.12.2008	Changes amount	Changes %
10.	Cash and cash equivalents	5,973,052,089	5,000,033,408	973,018,681	19.5
20.	Financial assets held for trading	29,653,170,242	22,664,007,376	6,989,162,866	30.8
30.	Financial assets designated at fair value through profit and loss	332,517,404	252,902,081	79,615,323	31.5
40.	Financial assets available for sale	11,994,689,162	7,360,426,362	4,634,262,800	63.0
50.	Investments held to maturity	1,304,875,729	2,096,596,209	-791,720,480	-37.8
60.	Due from banks	116,066,739,844	114,878,587,955	1,188,151,889	1.0
70.	Loans to customers	178,550,192,260	207,461,246,416	-28,911,054,156	-13.9
80.	Hedging derivatives	5,488,654,971	4,274,900,112	1,213,754,859	28.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	67,058,731	64,669,485	2,389,246	3.7
100.	Equity investments	42,327,452,269	41,057,322,763	1,270,129,506	3.1
110.	Property and equipment	2,407,481,813	2,666,904,458	-259,422,645	-9.7
120.	Intangible assets	9,239,162,746	10,422,031,522	-1,182,868,776	-11.3
	of which				
	- goodwill	*6,160,361,491*	*6,869,648,856*	*-709,287,365*	*-10.3*
130.	Tax assets	4,132,496,486	4,192,386,097	-59,889,611	-1.4
	a) current	*1,417,216,211*	*1,883,201,063*	*-465,984,852*	*-24.7*
	b) deferred	*2,715,280,275*	*2,309,185,034*	*406,095,241*	*17.6*
140.	Non-current assets held for sale and discontinued operations	6,450,200,193	352,668,725	6,097,531,468	
150.	Other assets	7,659,400,578	6,582,116,015	1,077,284,563	16.4
Total Assets		**421,647,144,517**	**429,326,798,984**	**-7,679,654,467**	**-1.8**

Balance sheet

(euro)

Liabilities and Shareholders' Equity		31.12.2009	31.12.2008	Changes amount	%
10.	Due to banks	93,159,856,515	87,688,810,397	5,471,046,118	6.2
20.	Due to customers	112,943,100,675	130,351,226,601	-17,408,125,926	-13.4
30.	Securities issued	137,513,063,451	130,497,062,749	7,016,000,702	5.4
40.	Financial liabilities held for trading	10,463,136,189	15,913,269,643	-5,450,133,454	-34.2
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	-
60.	Hedging derivatives	2,127,186,029	2,535,916,763	-408,730,734	-16.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,165,616,528	1,057,804,029	107,812,499	10.2
80.	Tax liabilities	707,047,463	2,078,968,216	-1,371,920,753	-66.0
	a) current	*271,188,767*	*1,130,740,284*	*-859,551,517*	*-76.0*
	b) deferred	*435,858,696*	*948,227,932*	*-512,369,236*	*-54.0*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	5,720,883,267	296,640,051	5,424,243,216	
100.	Other liabilities	7,725,507,890	9,935,642,889	-2,210,134,999	-22.2
110.	Employee termination indemnities	601,613,898	861,477,643	-259,863,745	-30.2
120.	Allowances for risks and charges	1,735,122,646	2,391,245,385	-656,122,739	-27.4
	a) post employment benefits	*264,194,302*	*295,995,512*	*-31,801,210*	*-10.7*
	b) other allowances	*1,470,928,344*	*2,095,249,873*	*-624,321,529*	*-29.8*
130.	Valuation reserves	986,225,503	649,466,959	336,758,544	51.9
140.	Redeemable shares	-	-	-	-
150.	Equity instruments	-	-	-	-
160.	Reserves	5,038,338,335	4,083,418,439	954,919,896	23.4
170.	Share premium reserve	33,270,641,555	33,270,641,555	-	-
180.	Share capital	6,646,547,923	6,646,547,923	-	-
190.	Treasury shares (-)	-175,451	-	175,451	-
200.	Net income (loss)	1,843,432,101	1,068,659,742	774,772,359	72.5
Total Liabilities and Shareholders' Equity		**421,647,144,517**	**429,326,798,984**	**-7,679,654,467**	**-1.8**

Income statement

(euro)

		2009	2008	Changes	
				amount	%
10.	Interest and similar income	10,605,949,599	17,057,250,914	-6,451,301,315	-37.8
20.	Interest and similar expense	-7,134,879,599	-12,280,587,376	-5,145,707,777	-41.9
30.	**Interest margin**	**3,471,070,000**	**4,776,663,538**	**-1,305,593,538**	**-27.3**
40.	Fee and commission income	2,406,283,426	2,998,611,529	-592,328,103	-19.8
50.	Fee and commission expense	-286,819,287	-359,167,588	-72,348,301	-20.1
60.	**Net fee and commission income**	**2,119,464,139**	**2,639,443,941**	**-519,979,802**	**-19.7**
70.	Dividend and similar income	1,378,771,645	1,250,967,981	127,803,664	10.2
80.	Profits (Losses) on trading	180,990,315	-880,663,459	1,061,653,774	
90.	Fair value adjustments in hedge accounting	20,490,667	-93,458,487	113,949,154	
100.	Profits (Losses) on disposal or repurchase of	49,726,071	111,574,413	-61,848,342	-55.4
	a) loans	*3,800,727*	*833,484*	*2,967,243*	
	b) financial assets available for sale	*34,991,734*	*98,394,405*	*-63,402,671*	*-64.4*
	c) investments held to maturity	-	*180,546*	*-180,546*	
	d) financial liabilities	*10,933,610*	*12,165,978*	*-1,232,368*	*-10.1*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	49,579,659	-37,611,887	87,191,546	
120.	**Net interest and other banking income**	**7,270,092,496**	**7,766,916,040**	**-496,823,544**	**-6.4**
130.	Net losses / recoveries on impairment	-1,313,223,643	-1,306,670,491	6,553,152	0.5
	a) loans	*-1,206,816,879*	*-1,035,036,623*	*171,780,256*	*16.6*
	b) financial assets available for sale	*-68,498,671*	*-323,408,603*	*-254,909,932*	*-78.8*
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*-37,908,093*	*51,774,735*	*-89,682,828*	
140.	**Net income from banking activities**	**5,956,868,853**	**6,460,245,549**	**-503,376,696**	**-7.8**
150.	Administrative expenses	-4,668,487,255	-5,938,999,120	*-1,270,511,865*	-21.4
	a) personnel expenses	*-2,404,148,577*	*-3,453,014,338*	*-1,048,865,761*	*-30.4*
	b) other administrative expenses	-2,264,338,678	-2,485,984,782	*-221,646,104*	-8.9
160.	Net provisions for risks and charges	-164,221,774	-246,267,080	-82,045,306	-33.3
170.	Net adjustments to / recoveries on property and equipment	-143,406,953	-252,198,978	-108,792,025	-43.1
180.	Net adjustments to / recoveries on intangible assets	-140,891,257	-550,724,129	-409,832,872	-74.4
190.	Other operating expenses (income)	669,107,905	1,156,669,200	-487,561,295	-42.2
200.	**Operating expenses**	**-4,447,899,334**	**-5,831,520,107**	**-1,383,620,773**	**-23.7**
210.	Profits (Losses) on equity investments	27,135,872	-1,456,849,734	1,483,985,606	
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	1,277,374	275,168,259	-273,890,885	-99.5
250.	**Income (Loss) before tax from continuing operations**	**1,537,382,765**	**-552,956,033**	**2,090,338,798**	
260.	Taxes on income from continuing operations	205,177,502	729,347,025	-524,169,523	-71.9
270.	**Income (Loss) after tax from continuing operations**	**1,742,560,267**	**176,390,992**	**1,566,169,275**	
280.	Income (Loss) after tax from discontinued operations	100,871,834	892,268,750	-791,396,916	-88.7
290.	**Net income (loss)**	**1,843,432,101**	**1,068,659,742**	**774,772,359**	**72.5**

Statement of comprehensive income

(euro)

		2009	2008	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**1,843,432,101**	**1,068,659,742**	**774,772,359**	**72.5**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	360,749,712	-523,026,070	883,775,782	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	-23,991,168	-413,997,671	-390,006,503	-94.2
70.	Foreign exchange differences	-	-	-	
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	-	-	-	
110.	**Total other comprehensive income (net of tax)**	**336,758,544**	**-937,023,741**	**1,273,782,285**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**2,180,190,645**	**131,636,001**	**2,048,554,644**	

Changes in shareholders' equity as at 31 December 2009

(euro)

	31.12.2009									
	Share capital		**Share premium reserve**	**Reserves**		**Valuation reserves**	**Equity instruments**	**Treasury shares**	**Net income (loss)**	**Shareholders' equity**
	ordinary shares	savings shares		retained earnings	other					
AMOUNTS AS AT 1.1.2009	**6,161,652,832**	**484,895,091**	**33,270,641,555**	**3,994,753,690**	**88,664,749**	**649,466,959**	**-**	**-**	**1,068,659,742**	**45,718,734,618**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR										
Reserves	**-**	**-**	**-**	**1,044,414,987**	**-**				**-1,044,414,987**	**-**
Dividends and other allocations [(a)]									**-24,244,755**	**-24,244,755**
CHANGES IN THE PERIOD										
Changes in reserves				**-89,804,562**	**-**	**-**				**-89,804,562**
Operations on shareholders' equity										
Issue of new shares	-	-	-	-	-			-		**-**
Purchase of treasury shares	-	-		-				-175,451		**-175,451**
Extraordinary dividends				-	-					**-**
Changes in equity instruments							-			**-**
Derivatives on treasury shares					-					**-**
Stock options					309,471					**309,471**
Total comprehensive income for the period						**336,758,544**			**1,843,432,101**	**2,180,190,645**
SHAREHOLDERS' EQUITY AS AT 31.12.2009	**6,161,652,832**	**484,895,091**	**33,270,641,555**	**4,949,364,115**	**88,974,220**	**986,225,503**	**-**	**-175,451**	**1,843,432,101**	**47,785,009,966**

[(a)] The caption includes dividends and the amount attributable to the Parent Company's Allowance for charitable contributions.

Changes in shareholders' equity as at 31 December 2008

(euro)

	31.12.2008									
	Share capital		**Share premium reserve**	**Reserves**		**Valuation reserves**	**Equity instruments**	**Treasury shares**	**Net income (loss)**	**Shareholders' equity**
	ordinary shares	savings shares		retained earnings	other					
AMOUNTS AS AT 1.1.2008	**6,161,652,832**	**484,895,091**	**33,456,707,511**	**2,847,521,913**	**253,518,844**	**1,586,490,700**	**-**	**-2,159,678,151**	**5,810,886,296**	**48,441,995,036**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR										
Reserves	**-**	**-**	**-**	**923,536,188**	**-**				**-923,536,188**	**-**
Dividends and other allocations [(a)]									**-4,887,350,108**	**-4,887,350,108**
CHANGES IN THE PERIOD										
Changes in reserves			**-**	**223,695,589**	**-168,530,039**	**-**				**55,165,550**
Operations on shareholders' equity										
Issue of new shares	-	-	-354,595,995	-	-			2,159,678,151		**1,805,082,156**
Purchase of treasury shares	-	-		-				-		**-**
Extraordinary dividends				-	-					**-**
Changes in equity instruments							-			**-**
Derivatives on treasury shares					-					**-**
Stock options					3,675,944					**3,675,944**
Other			168,530,039		-				-	**168,530,039**
Total comprehensive income for the period						**-937,023,741**			**1,068,659,742**	**131,636,001**
SHAREHOLDERS' EQUITY AS AT 31.12.2008	**6,161,652,832**	**484,895,091**	**33,270,641,555**	**3,994,753,690**	**88,664,749**	**649,466,959**	**-**	**-**	**1,068,659,742**	**45,718,734,618**

[(a)] The caption includes dividends and the amount attributable to the Parent Company's Allowance for charitable contributions.

Statement of cash flows

(euro)

	31.12.2009	31.12.2008
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**1,083,426,260**	**6,553,201,795**
- net income (+/-)	1,843,432,101	1,068,659,742
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-420,579,659	2,703,611,887
- gains/losses on hedging activities (-/+)	-20,490,667	93,458,486
- net losses/recoveries on impairment (+/-)	1,160,378,988	3,123,763,475
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	284,298,210	804,562,247
- net provisions for risks and charges and other costs/revenues (+/-)	231,287,720	1,146,424,372
- taxes and duties to be settled (+)	-652,345,129	-
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,342,555,304	-2,387,278,414
2. Cash flow from / used in financial assets	**8,127,053,085**	**-33,847,817,854**
- financial assets held for trading	-6,618,162,866	-4,486,782,151
- financial assets designated at fair value through profit and loss	-30,035,664	94,681,907
- financial assets available for sale	-4,282,121,470	-5,412,293,732
- due from banks: repayable on demand	6,280,460,000	-11,890,282,000
- due from banks: other	-7,468,611,889	-1,484,681,725
- loans to customers	27,857,081,930	-7,939,239,487
- other assets	-7,611,556,956	-2,729,220,666
3. Cash flow from / used in financial liabilities	**-9,458,033,881**	**36,143,867,490**
- due to banks: repayable on demand	8,937,748,000	-11,265,705,000
- due to banks: other	-3,466,701,882	12,946,820,557
- due to customers	-17,408,125,926	-2,126,241,162
- securities issued	7,016,000,702	32,779,412,466
- financial liabilities held for trading	-5,450,133,454	5,825,923,372
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	913,178,679	-2,016,342,743
Net cash flow from (used in) operating activities	**-247,554,536**	**8,849,251,431**
B. INVESTING ACTIVITIES		
1. Cash flow from	**3,581,579,952**	**4,558,639,078**
- sales of equity investments	186,436,049	1,059,259,976
- dividends collected on equity investments	1,378,766,903	1,184,150,442
- sales of investments held to maturity	750,000,000	253,000,000
- sales of property and equipment	381,173,000	7,000,000
- sales of intangible assets	885,204,000	268,000,000
- sales of subsidiaries and business branches	-	1,787,228,660
2. Cash flow used in	**-2,336,937,431**	**-7,441,658,360**
- purchases of equity investments	-2,072,178,431	-7,111,658,360
- purchases of investments held to maturity	-	-15,000,000
- purchases of property and equipment	-264,711,000	-276,000,000
- purchases of intangibles assets	-48,000	-39,000,000
- purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**1,244,642,521**	**-2,883,019,282**
C. FINANCING ACTIVITIES		
- issues / purchases of treasury shares	175,451	2,159,678,151
- issues / purchases of equity instruments	-	-
- dividend distribution and other	-24,244,755	-4,887,350,109
Net cash flow from (used in) financing activities	**-24,069,304**	**-2,727,671,958**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**973,018,681**	**3,238,560,191**
RECONCILIATION		
Captions		
Cash and cash equivalents at beginning of period	5,000,033,408	1,761,473,217
Net increase (decrease) in cash and cash equivalents	973,018,681	3,238,560,191
Cash and cash equivalents: foreign exchange effect	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,973,052,089**	**5,000,033,408**

LEGEND: (+) from (–) used in

Notes to the Parent company's financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo's financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission provided for by Community Regulation 1606 of 19 July 2002.
The Parent company's financial statements as at 31 December 2009 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005 which issued Circular 262/05 and subsequently updated on 18 November 2009. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the Notes to the financial statements.
The Parent company's financial statements have been prepared using the International Accounting Standards in force as at 31 December 2009 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which came into force from 2009.

IFRS in force since 2009

Regulation endorsement	Title
1126/2008	IFRS 8 - Operating segments
1274/2008	Amendments to IAS 1 - Presentation of Financial Statements
1260/2008	Amendments to IAS 23 - Borrowing Costs
1261/2008	Amendments to IFRS 2 - Share-based Payment
53/2009	Amendments to IAS 1 - Presentation of Financial Statements
	Amendments to IAS 32 - Financial Instruments: Presentation
69/2009	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards
	Amendments to IAS 27 - Consolidated and Separate Financial Statements
70/2009	Improvements to IFRS:
	Amendments to: IFRS 5; IAS 1; IAS 8; IAS 16; IAS 20; IAS 23; IAS 27; IAS 28; IAS 29; IAS 31; IAS 34; IAS 36; IAS 38; IAS 39; IAS 40; IAS 41
254/2009	IFRIC 12 - Service Concession Arrangements
824/2009	Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
	Amendments to IFRS 7 - Financial Instruments: Disclosures
1164/2009	IFRIC 18 - Transfers of Assets from Customers
1165/2009	Amendments to IFRS 4 - Insurance Contracts
	Amendments to IFRS 7 - Financial Instruments: Disclosures
1171/2009	Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
	Amendments to IFRIC 9 - Reassessment of Embedded Derivatives

The most significant differences with respect to Intesa Sanpaolo financial statements are as follows:
– the amendments to IAS 1 - Presentation of financial statements introduced a new statement, the Statement of comprehensive income which, in addition to the profit for the year, presents all comprehensive income recognised in shareholders' equity rather than in the income statement, in accordance with applicable accounting standards. These components include changes in the carrying amount of available-for-sale financial assets, the measurement of cash flow hedges (for the effective part), gains and losses arising from translating the financial statements of a foreign operation, and the same components relating to companies consolidated by the equity method;
– the amendments to IFRS 7- Financial instruments: Disclosures, expanded disclosure about the determination of the fair value of financial instruments and the liquidity risk.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which were endorsed in 2009 and which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2010.

IFRS endorsed in 2009

Regulation endorsement	Title	Effective date
460/2009	IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	01/01/2010 First financial year starting after 30/06/2009
494/2009	Amendments to IAS 27 - Consolidated and Separate Financial Statements	01/01/2010 First financial year starting after 30/06/2009
495/2009	Amendments to IFRS 3 - Business Combinations	01/01/2010 First financial year starting after 30/06/2009
839/2009	Amendments to IAS 39 (Eligible Hedged Items) - Financial Instruments: Recognition and Measurement	01/01/2010 First financial year starting after 30/06/2009
1136/2009	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards	01/01/2010 First financial year starting after 31/12/2009
1142/2009	IFRIC 17 - Distributions of Non-cash Assets to Owners	01/01/2010 First financial year starting after 31/10/2009
1293/2009	Amendments to IAS 32 - Financial Instruments: Presentation	01/01/2011 First financial year starting after 31/01/2010

These changes will become applicable to Intesa Sanpaolo financial statements starting from 2010, except for the amendments to IAS 27, introduced by Regulation 494/2009, which have been adopted early. In accordance with the amendments to IAS 28 and IAS 31, when a company loses control, joint control or significant influence on an investment following a partial disposal, but retains an interest in the company, the retained investment is carried in the financial statements at fair value and any gains or losses on the previous carrying amount are taken to profit or loss. Under the previous versions of the above Standards, the residual investment was recognised consistently without taking into consideration any revaluation effect. In accordance with applicable Standards, the early adoption of IAS 27 (revised) triggers the early adoption of the amendments to IFRS 3 introduced by Regulation 495/2009. Application of these amendments becomes mandatory starting from 2010.
The early adoption of IAS 27 and the related amendments to IAS 28 and IAS 31 along with the amendments to IFRS 3 had no financial impact on the Parent company.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Parent company's financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to Parent company's financial statements; the Report on operations, on the economic results achieved and on Intesa Sanpaolo's balance sheet and financial position has also been included. For information to be included in the Report on operations as required by regulatory provisions, reference should be made to the Consolidated Report on Operations. In compliance with the provisions of Art. 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Parent company's financial statements are expressed in euro, while figures in the Notes to the Parent company's financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Parent company's financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of these Notes to the Parent company's financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the Parent company's financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian securities and exchange commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Bank's situation.
In accordance with the provisions of IFRS 5, the balance sheet and the income statement as at 31 December 2009 and the relevant details in the Notes to the Parent company's financial statements show assets due for imminent disposal within non-current assets held for sale and discontinued operations. The disposal relates to the securities services business line which, following the agreement signed in December 2009, will be sold to State Street Corp.
The income statement caption "Non-current assets held for sale and discontinued operations" shows the financial effects arising from the transfer of numerous branches by the Parent company to other Group banks as part of the project for the geographical reorganisation and rationalisation of the Group's presence in the country and other financial effects arising from assets being sold.
The Parent company's financial statement forms and the Notes to the Parent company's financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2008. The income statement and the relevant details in the Notes to the Parent company's financial statements have also been amended for the comparison year in accordance with IFRS 5 to take into account the effects on the income statement of the abovementioned non–current assets held for sale and discontinued operations.
The Attachments include tables with the reconciliations between the comparative figures and the balance sheet and income statement figures originally published in the 2008 Annual report, together with specific reconciliations between these figures and the reclassified statements included in the Report accompanying these financial statements.

The financial statements forms and the Notes to the Parent company's financial statements have been drawn up in accordance with the provisions of Bank of Italy Circular 262/2005. This Circular was updated on 18 November 2009 to reflect the changes to IFRS with respect to its previous edition. Moreover, some tables of the Notes to the Parent company's financial statements were simplified to better align disclosure with the supervisory schedules harmonised at European level.
The main changes introduced by the amendments to IFRS are as follows:

– the introduction of the Statement of comprehensive income to reflect amendments to IAS 1. In addition to the profit for the year, this table shows all comprehensive income which was not recognised in the income statement (i.e., variations in the carrying amount of assets and liabilities which, following the application of the relevant Standards, are taken to equity);
– a variation in the statement of changes in shareholders' equity, again triggered by the amendments to IAS 1, presenting separately equity changes relating to transactions with owners in their capacity as owners and other comprehensive income;
– the presentation of the financial effects of reclassifying financial instruments under various accounting portfolios to reflect the amendments to IAS 39 and IFRS 7 in this respect;
– implementation of amendments to IFRS 7 which introduced the fair value hierarchy (levels 1, 2 and 3). This also led to variations in many tables in the Notes to the Parent company's financial statements, indicating the three levels of the fair value hierarchy and replacing the distinction between quoted/unquoted.

Streamlining and simplifying changes include:

– the reorganisation of disclosure about "non-performing loans", "assets sold and not derecognised" and derivatives, which are now recognised in the tables of the Notes to the Parent company's financial statements under the relevant technical forms instead of independent captions;
– the review of disclosure about derivatives, which is now almost exclusively included in Part E of the Notes to the Parent company's financial statements;
– updating capital disclosure by including a table on the capital adequacy of the financial conglomerates falling under the so-called "supplementary supervision";
– the elimination of the systematic disaggregation of consolidated figures into business segments (banking group, insurance companies, other companies), which was replaced by the obligation to provide this breakdown only when this is significant.

Finally, the new Regulation provides for the reclassification, in financial statement forms, of tax recoveries from "other administrative expenses" (as a reduction thereof) to "other operating income". The effects of this reclassification on the 2008 financial statements are shown in the attached reconciliation statements. Moreover, with respect to the tables in the Notes to the Parent company's financial statements, the Circular has introduced changes in the presentation of the breakdown of certain captions. These changes are shown in the relevant tables.

Contents of financial statement forms

Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2009 and for 2008 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income

The statement of comprehensive income is comprised of captions showing variations in the carrying amount of assets recognised during the year with a balancing entry in valuation reserves, net of the tax effect. Similarly to the Balance sheet and the Income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2009 and for 2008 are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity

Changes in shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005. The table presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital (ordinary and savings shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. Intesa Sanpaolo has not issued equity instruments other than ordinary and savings shares.

Statement of cash flows
The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of Notes to the Parent company’s financial statements
The Notes to the Parent company's financial statements include the information provided for by International Financial Reporting Standards and Bank of Italy Circular 262/2005, updated on 18 November 2009.

SECTION 3 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE
In addition to the events described in the same section of the Notes to the consolidated financial statements, no significant events occurred in the period after the financial statement date.

SECTION 4 - OTHER ASPECTS

Option for the national fiscal consolidation provisions
Intesa Sanpaolo and the Group’s Italian companies (with the exclusion of Banca di Trento e Bolzano, Finanziaria B.T.B. and Sud Polo Vita) have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit.
Based on this option, Group companies which opted for the “national fiscal consolidation” determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent company. If one or more companies have a negative taxable income, in the presence of a consolidated income in the year or of highly probable future taxable income, the fiscal losses are transferred to the Parent company.

Certification pursuant to article 154 bis of the Consolidated Law on Finance and non-EU subsidiaries
As regards the disclosure about the Certification pursuant to article 154 bis of the Consolidated Law on Finance and subsidiaries based in non-European countries that are considered significant on the basis of the Consob regulations, please refer to the contents of the section with the same heading in the Notes to the consolidated financial statements.

Other aspects
Reconta Ernst & Young audited Intesa Sanpaolo’s financial statements as at 31 December 2009, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed the company as independent auditor for the years from 2006 to 2011, included.
In its meeting of 19 March 2010, the Management Board approved the draft Intesa Sanpaolo’s financial statements and authorised their publication.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

Classification criteria
This category includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:
– their characteristics and risks are not closely related to the characteristics of the host contract;
– embedded instruments, even though separate, fully meet the definition of derivative;
– combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans and Receivables). The transfer value is the fair value at the time of the reclassification. Upon reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

Recognition criteria
Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.
On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria
After initial recognition, financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities, quotas of UCI and derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

2. Financial assets available for sale

Classification criteria
This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity unless there is an event that is unusual and highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the categories, established by IAS 39, of Investments held to maturity and Loans and Receivables if the conditions for their recognition apply. The transfer value is the fair value at the time of the reclassification.

Recognition criteria
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, in the cases provided for by the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, when rare circumstances occur, from Financial assets held for trading, the recognition value is the fair value as at the time of transfer.

Measurement criteria
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.
Equities included in this category, quotas of UCI and any derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.
Should the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even if partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria
Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:
- are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has substantially collected all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset. If inclusion in this category occurs following reclassification from Financial assets available for sale or, in rare circumstances, from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

4. Loans

Classification criteria
Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

Recognition criteria
Initial recognition of a loan occurs at the date of subscription of the contract that normally coincides with the disbursement date. Should this not be the case, a commitment to disburse funds is made along the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.
If, in rare circumstances, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogenous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs

sustained for the recovery of credit exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.
The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower's financial situation, provided that the interest rate applied is a market rate at the renegotiation date.
When renegotiations are granted to borrowers suffering from deterioration in their financial situation, exposures are classified under non-performing loans.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at measurement date, which enable to estimate the latent loss for each loan category. Measurement also considers the risk connected to the borrower's country of residence.
Collective adjustments are recorded in the income statement.

Derecognition criteria
Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when control, even partial, is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Financial assets designated at fair value through profit and loss

Classification criteria
IAS/IFRS endorsed by the European Commission enable the classification as financial instruments designated at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.
Reclassifications to the other categories of financial assets are not permitted.
Intesa Sanpaolo has only classified in this category some debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria
On initial recognition, financial assets are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even if partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

6. Hedging transactions

Classification criteria: type of hedge

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:

– fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including "core deposits", as permitted by IAS 39 endorsed by the European Commission;
– cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
– hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Recognition criteria

Hedging derivative financial instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedging derivatives are measured at fair value. In particular:

– in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
– in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
– hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:

– *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Equity investments

Classification criteria
The caption includes investments in subsidiaries, associates and companies subject to joint control.
Companies are considered subsidiaries when Intesa Sanpaolo, directly or indirectly, holds more than half of the voting rights or when it has a lower portion of voting rights but has the power to appoint the majority of directors of the company or determine its financial or operating policies. In the measurement of voting rights also "potential" rights are considered if they are currently exercisable or convertible into effective voting rights at any time.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo holds at least 20% of voting rights (including "potential" voting rights as described above) or if the Parent company – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Some companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.
The caption also includes, in consideration of its peculiarity, the equity stake in Bank of Italy.

Recognition criteria
Equity investments are recognised at settlement date. On initial recognition equity investments are recorded at cost.

Measurement criteria
Equity investments are measured at cost, which may be adjusted if permanent losses are deemed to have occurred. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to third parties and are expected to be used during more than one period.
The caption also includes the goods used in financial lease contracts, even though the ownership remains in the books of the lessor.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment property, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:
– land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
– works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.
If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular intangible assets include:
– technology related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years;
– customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years, core deposits in 18-24 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
– marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.
Lastly, intangible assets include goodwill.
Goodwill may be recorded when the positive difference between fair value of shareholders' equity acquired and the purchase price of the equity investment is representative of the future income-generation potential of the equity investment.
If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. The business operations carried out directly by the Parent company falls under the Cash Generating Units corresponding to Banca dei Territori and Corporate and Investment Banking. Therefore, goodwill is allocated to these divisions

Derecognition criteria
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

10. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has begun and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying value and their fair value less costs to sell.
The income and charges (net of tax impact) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

11. Current and deferred tax
Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred taxation relating to the net result for the year. Current tax assets and liabilities include the tax balances of the Bank due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Bank claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.
Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
In the years where deductible temporary differences are greater than taxable temporary differences, the related deferred tax assets are included under balance sheet assets among "deferred tax assets". On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred taxes are included under balance sheet liabilities among "deferred tax liabilities".
If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

12. Allowances for risks and charges

Post employment benefits
Company post employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is the average market yield curve on measurement dates. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses are recognised in the income statement, on the basis of the "corridor approach" only for the part of profits and losses not recorded at the end of the previous year which exceeds the higher between 10% of the

present value of the defined benefit obligation and 10% of fair value of plan assets; this excess is recorded in the income statement on the basis of the expected average remaining working life of the participants in the plan or in the year in the case of retired personnel.

Other allowances

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.
The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

13. Payables and securities issued

Classification criteria

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the bank in the capacity of lessee in financial lease transactions.

Recognition criteria

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for the repurchase of previously-issued bonds. The difference between the book value of the liability and the amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading

The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.
All financial liabilities held for trading are designated at fair value through profit and loss.

15. Financial liabilities designated at fair value through profit and loss

Intesa Sanpaolo resolved not to designate any financial liabilities at fair value.

16. Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates

At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
– foreign currency monetary items are translated using the closing rate;
– non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
– non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.
Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from

those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

17. Other information

Treasury shares
Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements
The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Following the coming into effect of the 2007 Finance Law, which brought forward to 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, employee termination indemnities refer to the sole portion accrued until 31 December 2006. It represents a "post employment benefit" classified as "defined benefit plan" and is therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" without applying the proportional share of the service rendered. This stems from the consideration that current service cost of employee termination indemnities, accrued as at 1 January 2007, was almost entirely already accrued and for its revaluation for the years to come, it will not lead to significant benefits for employees.
For the purposes of discounting, the rate used is the average market yield curve on measurement dates, weighted based on percentage amount paid and advanced, for each maturity with respect to the total to be paid and advanced until the expiry of the entire obligation.
Costs to service the plan are accounted for in personnel expenses as the net amount of interest accrued and any expected income plan assets and actuarial gains and losses. The latter are recorded using the "corridor approach" that is as the excess cumulated actuarial gains/losses, recorded at the end of the previous year with respect to 10% of present value of the defined benefit obligation. This excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.
Following the reform, the employee termination indemnities accrued from 1 January 2007 are considered a "defined contribution plan" irrespective of allocation by employee to supplementary social security, or to the Treasury allowance at INPS. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by the Bank of Italy instructions.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.

The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in the case of services, when these have been rendered. In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered;
- revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin; the difference with respect to the fair value is recorded in the income statement during the life of the transaction via a progressive reduction, in the valuation model, of the corrective factor connected to the scant liquidity of the instrument;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may significantly differ in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:

- the measurement of impairment losses on loans, investment, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

Fair value measurement

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

Financial instruments

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

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

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

- reference to market values indirectly connected to the instrument to be valued and presumed 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 person making the assessment (Mark-to-Model).

The choice between the above 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 prices with a bid-ask spread under an interval deemed to be congruous, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchanged traded options). Finally, 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, struck on the most advantageous active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the comparable approach (level 2) which uses measurement models based on market parameters. In this case, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the 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 listings 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.
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 and inflation 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.
Derivatives 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 included among structured credit products;
- 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.

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 done to identify any present or future weakness 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 carrying amount of the security 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, balance sheet models or balance sheet-income statement mixed 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 (the so-called "fair value policy") entails various phases which are summarised below.
- 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:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - 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

[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.

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 conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
– valuation difficulties due to the lack of liquid and observable market parameters.

With respect to disclosure about financial instruments measured at fair value, the above hierarchy to determine fair value is used for the allocation of accounting portfolios in accordance with fair value levels (see paragraph A.3.2).

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the Parent company's financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for the recalculation of the price to the net carrying amount of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost varies depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction, are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement).
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation to syndicated loans and lastly, up-front commissions correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since it is immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/audit expenses for the annual update of prospectuses, the costs for the use of indices and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At every reporting date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogenous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows related to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various regulations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogenous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer of the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.

The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and – for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or extended reduction in the fair value below the initial recognition amount is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant and a reduction of over 24 months is considered an extended continuous reduction. The security is impaired when one of the above thresholds is exceeded. If thresholds are not exceeded but other impairment indicators exist, the impairment loss must be supported also by the results of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter.

Equity investments
At each reporting date the equity investments in associates or companies subject to joint control have to undergo an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, market capitalisation lower than the company's net book value, in the case of securities listed on active markets or in the case of securities quoted on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected financial future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.
For controlling investments in subsidiaries, the single investments are not individually significant for the purposes of the impairment test in the Parent company's financial statements, instead they are included in the impairment test of the Cash Generating Units (CGU) conducted at consolidated level. The CGUs identified are represented in some cases (Banca dei Territori and Corporate & Investment Banking) by operations conducted directly by the Parent company and some subsidiaries, in other cases (Foreign banks) by combinations of subsidiaries, and also (Public Finance, Banca Fideuram and Eurizon Capital) when they are linked to the associated legal entity. When an investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.

Other non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
As concerns property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to deem that previous estimates are no longer accurate, and in any case every three years. Impairment is recorded only in the case that the fair value less costs to sell or value in use is lower than carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process, and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subject to an impairment test at each balance sheet date to assess whether there is objective evidence of an impairment loss.

Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent company is that of the Group as a whole and not only that of the Parent company as an individual entity, the CGUs are identified in the consolidated financial statements.
The CGUs identified are represented in some cases (Banca dei Territori and Corporate & Investment Banking) by operations conducted directly by the Parent company and some subsidiaries, in other cases (Foreign banks) by combinations of subsidiaries, and also (Public Finance, Banca Fideuram and Eurizon Capital) when they are linked to the associated legal entity. As stated, as these are the same CGUs identified at consolidated level, the assessment of the retention of goodwill and other assets with an indefinite life recorded in the Intesa Sanpaolo Group's financial statements conducted at said consolidated level, is also valid with reference to the values recorded in the Parent company's financial statements. Therefore, the assessment conducted at consolidated level with reference to the individual CGUs is used, after comparing the book value of the assets in the separate financial statements, without conducting, if the result is positive, a new test in the separate financial statements. If, at consolidated financial statement level, an impairment needs to be recognised for a particular CGU, this write-down must be assigned to the assets that make up the CGU starting with goodwill. If the need to record an adjustment relates to a CGU that does not coincide with the associated legal entity, the write-down is assigned to the banking subsidiaries, after the elimination of the goodwill pertaining to the CGU recorded in the separate financial statements under a specific caption, on the basis of the respective fair values.
For a description of the criteria for the determination of the recoverable amount of the CGUs see the contents of Part A - Accounting policies, of the consolidated financial statements.

Business combinations

Business combinations are governed by IFRS 3. In 2009, the Intesa Sanpaolo Group opted for the early adoption of the amendments to IFRS 3 introduced by Regulation 495/2009, as permitted by the Standard. IFRS 3 (revised) was applied along with the amendments to IAS 27 introduced by Regulation 494/2009. As mentioned earlier, the early adoption of the above amendments, which will become mandatory in 2010, had no financial effects on 2009.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of the Articles of Association or of an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The transferred consideration as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equities issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the relevant paragraph and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as the registration of debt securities or equities and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date. Any excess of the consideration transferred over the above fair values is recognised as goodwill and is allocated to the Cash-generating units identified within the Parent company Intesa Sanpaolo. If the consideration is lower, the difference is taken to income statement.
The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined within the end of the year in which the combination is realised and must be definitively determined within twelve months from the acquisition date.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement. Upon acquisition of control, total goodwill is redetermined on the basis of the acquisition date fair value of the identifiable assets and liabilities of the acquired company.
The following combinations are outside the scope of IFRS 3 – business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the consistency of the values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
– if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
– if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

A.3 – INFORMATION ON FAIR VALUE

A.3.1. Transfers between portfolios

A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2009	Fair value at 31.12.2009	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	3,373	3,032	16	76	-3	121
Loans	Financial assets available for sale	Loans	367	342	26	-	-	-
Total			**3,740**	**3,374**	**42**	**76**	**-3**	**121**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 3 million euro.

Had the Bank not reclassified the above financial assets, positive income components would have been recognised for an amount of 42 million euro, instead of negative income components of 3 million euro, generating a positive effect of 45 million euro, broken down as follows:

– write-off of the negative income components recognised during the year following the 3 million euro transfer. Of this amount, 6 million euro relates to adjustments and 3 million euro to fair value increases following hedges;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 42 million euro. Of this amount, 16 million euro refers to the revaluation of reclassified securities in the income statement and 26 million euro to the increase in the Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 45 million euro would have not been recognised. This amount is mainly related to the amortised cost of the reclassified securities.
Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2009 would have been written down by 366 million euro, of which 341 million to be recognised in the income statement (negative components for 2008: 357 million euro and positive components for 2009: 16 million euro) and 25 million euro to be recognised in the Valuation reserves (31 December 2008: 51 million euro, with a negative net variation of 26 million euro).

As at 31 December 2009, the reclassifications performed by the Bank to reflect the amendments to IAS 39 in October 2008 with respect to financial instrument reclassification, amount to a nominal 3,921 million euro. Of this amount:

– 2,958 million euro was reclassified by 1 November 2008 and therefore taking as reference the value of these assets at 1 July 2008 if already present at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
– 963 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure refers to reclassifications carried out in 2009 concerning unfunded trading instruments (derivatives) transformed into funded instruments (securities), while maintaining the same risk profile to which the Bank is exposed.

A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Gains/losses through profit and loss (before tax)		Gains/losses through shareholders' equity (before tax)	
			31.12.2009	31.12.2008	31.12.2009	31.12.2008
Debt securities	Financial assets held for trading	Loans	-	-	-	-

A.3.1.3 Transfer of financial assets held for trading

The recent financial crisis was classed by the IASB as a rare circumstance. Consequently, Intesa Sanpaolo has identified certain securities mainly consisting of bonds not quoted on active markets originally classified under trading assets which, due to present and prospective market conditions, could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category. From the time of the reclassification they are measured at amortised cost. With respect to the trading book, the reclassifications mainly involved structured credit products.

A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets

The effective interest rate attributable to the reclassified portfolio securities is equal to 2.6% and estimated cash flows at the date financial assets were reclassified amount to 3,915 million euro.

A.3.2. Hierarchy of fair value

A.3.2.1 Accounting portfolios: fair value by level

(millions of euro)

Financial assets / liabilities at fair value	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	14,267	14,128	1,258	6,128	15,682	854
2. Financial assets designated at fair value through profit or loss	-	183	150	38	215	-
3. Financial assets available for sale	751	10,413	831	731	5,586	1,043
4. Hedging derivatives	-	5,489	-	-	4,275	-
Total	**15,018**	**30,213**	**2,239**	**6,897**	**25,758**	**1,897**
1. Financial liabilities held for trading	94	9,911	458	6	15,004	903
2. Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	2,127	-	-	2,536	-
Total	**94**	**12,038**	**458**	**6**	**17,540**	**903**

For the purposes of the above table, which replaces the previous quoted/unquoted breakdown of financial instruments, with respect to the figures as at 31 December 2008, instruments previously classified as quoted have been conventionally assumed as level 1.

A.3.2.2 Annual changes in financial assets designated at fair value through profit and loss (level 3)

(millions of euro)

	FINANCIAL ASSETS			
	held for trading	designated at fair value through profit or loss	available for sale	for hedging purposes
1. Initial amount	**854**	**-**	**1,043**	**-**
2. Increases	**1,247**	**150**	**272**	**-**
2.1 Purchases	561	121	141	-
2.2 Gains recognised in:	175	29	79	-
2.2.1 Income statement	*175*	*29*	*4*	-
- of which capital gains	*147*	*29*	-	-
2.2.2 Shareholders' equity	*X*	*X*	*75*	-
2.3 Transfers from other levels	511	-	-	-
2.4 Other increases	-	-	52	-
3. Decreases	**-843**	**-**	**-484**	**-**
3.1 Sales	-432	-	-381	-
3.2 Reimbursements	-102	-	-9	-
3.3 Losses recognised in:	-225	-	-55	-
3.3.1 Income statement	*-225*	-	*-9*	-
- of which capital losses	*-198*	-	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-46*	-
3.4 Transfers to other levels	-84	-	-	-
3.5 Other decreases	-	-	-39	-
4. Final amount	**1,258**	**150**	**831**	**-**

"Transfers from other levels" are manly due to the changes made during the year to hedge fund pricing models, which introduced analytical valuations.

A.3.2.3 Annual changes in financial liabilities designated at fair value through profit and loss (level 3)

(millions of euro)

	FINANCIAL LIABILITIES		
	held for trading	designated at fair value through profit or loss	for hedging purposes
1. Initial amount	**903**	**-**	**-**
2. Increases	**54**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses recognised in:	54	-	-
2.2.1 Income statement	*54*	-	-
- of which capital losses	*54*	-	-
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Trasfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-499**	**-**	**-**
3.1 Reimbursements	-363	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-136	-	-
3.3.1 Income statement	*-136*	-	-
- of which capital gains	*-136*	-	-
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Trasfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Final amount	**458**	**-**	**-**

Repayments include the early completion of derivative transactions.

A.3.3.3 Information on the "Day one profit/loss"

Revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin. No significant amounts to be deferred to income statement were identified which are not attributable to risk factors or commercial margins.

Part B - Information on the Parent company's balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2009	31.12.2008
a) Cash	1,348	1,896
b) On demand deposits with Central Banks	4,625	3,104
TOTAL	**5,973**	**5,000**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	14,218	4,699	419	5,445	2,368	566
1.1 structured securities	-	*76*	-	-	*61*	-
1.2 other debt securities	*14,218*	*4,623*	*419*	*5,445*	*2,307*	*566*
2. Equities	-	-	-	5	-	-
3. Quotas of UCI	47	-	717	666	136	73
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**14,265**	**4,699**	**1,136**	**6,116**	**2,504**	**639**
B. Derivatives						
1. Financial derivatives	2	9,078	-	12	10,823	-
1.1 trading	*2*	*9,040*	-	*12*	*10,803*	-
1.2 fair value option	-	*15*	-	-	*15*	-
1.3 other	-	*23*	-	-	*5*	-
2. Credit derivatives	-	351	122	-	2,355	215
2.1 trading	-	*351*	*122*	-	*2,355*	*215*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**2**	**9,429**	**122**	**12**	**13,178**	**215**
TOTAL (A+B)	**14,267**	**14,128**	**1,258**	**6,128**	**15,682**	**854**

2.2. Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2009	31.12.2008
A) CASH ASSETS		
1. Debt securities	**19,336**	**8,379**
a) Governments and Central Banks	12,455	3,393
b) Other public entities	1,738	657
c) Banks	3,200	2,418
d) Other issuers	1,943	1,911
2. Equities	**-**	**5**
a) Banks	-	-
b) Other issuers	-	5
- insurance companies	-	-
- financial institutions	-	-
- non-financial companies	-	*5*
- other	-	-
3. Quotas of UCI	**764**	**875**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total A	**20,100**	**9,259**
B) DERIVATIVES		
a) Banks	7,247	10,478
- fair value	*7,247*	10,478
b) Customers	2,306	2,927
- fair value	*2,306*	2,927
Total B	**9,553**	**13,405**
TOTAL (A+B)	**29,653**	**22,664**

Amounts referring to "Quotas of UCI" mainly regard hedge fund positions.

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt ecurities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**8,379**	**5**	**875**	**-**	**9,259**
B. Increases	**91,501**	**62**	**803**	**-**	**92,366**
B.1 purchases	90,865	62	598	-	91,525
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	164	-	149	-	313
B.3 other changes	472	-	56	-	528
C. Decreases	**-80,544**	**-67**	**-914**	**-**	**-81,525**
C.1 sales	-65,497	-67	-845	-	-66,409
of which business combinations	-	-	-	-	-
C.2 reimbursements	-13,507	-	-	-	-13,507
C.3 negative fair value differences	-57	-	-35	-	-92
C.4 trasfers to other portfolios	-1,017	-	-	-	-1,017
C.5 other changes	-466	-	-34	-	-500
D. Final amount	**19,336**	**-**	**764**	**-**	**20,100**

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	-	183	-	38	215	-
1.1 structured securities	-	-	-	*38*	*215*	-
1.2 other debt securities	-	*183*	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	-	-	150	-	-	-
4. Loans	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**-**	**183**	**150**	**38**	**215**	**-**
Cost	**-**	**208**	**121**	**38**	**236**	**-**

Intesa Sanpaolo has only classified in this category some debt securities with incorporated derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

	31.12.2009	**31.12.2008**
1. Debt securities	**183**	**253**
a) Governments and Central Banks	-	-
b) Other public entities	1	-
c) Banks	153	161
d) Other issuers	29	92
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers	-	-
- *insurance companies*	-	-
- *financial institutions*	-	-
- *non-financial companies*	-	-
- *other*	-	-
3. Quotas of UCI	**150**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**333**	**253**

3.3 Financial assets designated at fair value through profit and loss: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**253**	**-**	**-**	**-**	**253**
B. Increases	**54**	**-**	**150**	**-**	**204**
B.1 purchases	38	-	121	-	159
of which business combinations	-	-	*121*	-	121
B.2 positive fair value differences	-	-	29	-	29
B.3 other changes	16	-	-	-	16
C. Decreases	**-124**	**-**	**-**	**-**	**-124**
C.1 sales	-31	-	-	-	-31
of which business combinations	-	-	-	-	-
C.2 reimbursements	-47	-	-	-	-47
C.3 negative fair value differences	-22	-	-	-	-22
C.4 other changes	-24	-	-	-	-24
D. Final amount	**183**	**-**	**150**	**-**	**333**

The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved wholly controlled entities.

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2009			31.12.2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	6	10,156	94	94	5,344	139
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*6*	*10,156*	*94*	*94*	*5,344*	*139*
2. Equities	744	247	634	636	225	660
2.1 Measured at fair value	*744*	*242*	*630*	*636*	*220*	*654*
2.2 Measured at cost	-	*5*	*4*	-	*5*	*6*
3. Quotas of UCI	1	-	37	1	-	44
4. Loans	-	10	66	-	17	200
TOTAL	**751**	**10,413**	**831**	**731**	**5,586**	**1,043**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2009	31.12.2008
1. Debt securities	**10,256**	**5,577**
a) Governments and Central Banks	20	2
b) Other public entities	59	149
c) Banks	10,011	5,158
d) Other issuers	166	268
2. Equities	**1,625**	**1,521**
a) Banks	355	321
b) Other issuers	1,270	1,200
- insurance companies	*425*	*511*
- financial institutions	*123*	*93*
- non-financial companies	*722*	*550*
- other	-	*46*
3. Quotas of UCI	**38**	**45**
4. Loans	**76**	**217**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	12	12
d) Other counterparties	64	205
TOTAL	**11,995**	**7,360**

Equities issued by non-financial companies include several positions resulting from the conversion of loans.

4.3 Financial assets available for sale: assets with specific hedges

As at 31 December 2009, there were no financial assets available for sale with specific hedges.

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**5,577**	**1,521**	**45**	**217**	**7,360**
B. Increases	**5,334**	**371**	**127**	**42**	**5,874**
B.1 purchases	5,018	30	123	3	5,174
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	164	225	4	-	393
B.3 write-backs recognised in:	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios:	-	-	-	-	-
B.5 other changes	152	116	-	39	307
C. Decreases	**-655**	**-267**	**-134**	**-183**	**-1,239**
C.1 sales	-69	-162	-130	-164	-525
of which business combinations	-	-	-	-	-
C.2 reimbursements	-328	-4	-	-9	-341
C.3 negative fair value differences	-29	-30	-4	-1	-64
C.4 impairment losses recognised in:	-1	-67	-	-	-68
- income statement	*-1*	*-67*	-	-	*-68*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-228	-4	-	-9	-241
D. Final amount	**10,256**	**1,625**	**38**	**76**	**11,995**

With regard to equities:

- "purchases" refer mainly to Aedes S.p.A. (10 million euro), Genextra S.p.A. (7 million euro), Ilpea Equity LLC. (5 million euro), Banca ITB S.p.A. (3 million euro) and Cam Finanziaria S.p.A. (1 million euro);
- "positive fair value differences" refer mainly to London Stock Exchange Group Plc. (40 million euro), Banco Patagonia S.A. (34 million euro), Sigma Tau Finanziaria S.p.A. (30 million euro), Granarolo S.p.A. (27 million euro) and Prada S.p.A. (16 million euro);
- "B.5 - other changes" essentially refer to realised gains net of the reversal to the income statement of the related reserve;
- "sales" refer mainly to the disposal of Union Life Insurance Company Ltd. (86 million euro), Banca Generali S.p.A. (49 million euro) and Aedes S.p.A. (8 million euro);
- "negative fair value differences" in equities refer mainly to the interests in Alfieri Associated Investor Servicos de Consultoria S.A. (6 million euro), Genextra S.p.A. (3 million euro), Luxvide Finanziaria per iniziative audiovisive e telematiche S.p.A. (3 million euro) and Banca delle Marche S.p.A. (2 million euro);
- "impairment losses" on equities refer mainly to Parmalat S.p.A. (41 million euro), Milano Assicurazioni S.p.A. (18 million euro), Edison S.p.A. (4 million euro) and Centro Agroalimentare di Napoli S.c.p.A. (2 million euro);
- "C.6 – other changes" refer mainly to the disposal of Chess Ventures Ltd. (3 million euro).

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
For further details on the criteria for impairment testing of financial assets available for sale, reference should be made to Part A - Accounting policies of the Notes to the consolidated and Parent company's financial statements and to Part B – Information on the consolidated balance sheet – Assets of the Notes to the consolidated financial statements.
The main impairment loss recorded concerned Parmalat S.p.A. (41 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,305	1,265	-	-	2,097	2,047	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	*1,305*	*1,265*	-	-	*2,097*	*2,047*	-	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**1,305**	**1,265**	**-**	**-**	**2,097**	**2,047**	**-**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2009	31.12.2008
1. Debt securities	**1,305**	**2,097**
a) Governments and Central Banks	1,303	2,078
b) Other public entities	-	4
c) Banks	-	-
d) Other issuers	2	15
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**1,305**	**2,097**

5.3 Investments held to maturity with specific hedges

As at 31 December 2009, no investments held to maturity with specific hedges were recorded.

5.4 Investments held to maturity: annual changes

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,097**	**-**	**2,097**
B. Increases	**6**	**-**	**6**
B.1 purchases	-	-	-
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	6	-	6
C. Decreases	**-798**	**-**	**-798**
C.1 sales	-	-	-
of which business combinations	-	-	-
C.2 reimbursements	-766	-	-766
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-32	-	-32
D. Final amount	**1,305**	**-**	**1,305**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2009	31.12.2008
A. Due from Central Banks	**8,846**	**127**
1. Time deposits	2	2
2. Compulsory reserve	8,844	125
3. Reverse repurchase agreements	-	-
4. Other	-	-
B. Due from banks	**107,221**	**114,752**
1. Current accounts and deposits	11,976	17,562
2. Time deposits	64,341	62,624
3. Other loans	21,741	30,576
3.1 Reverse repurchase agreements	*8,015*	*21,832*
3.2 Financial leases	-	-
3.3 Other	*13,726*	*8,744*
4. Debt securities	9,163	3,990
4.1 Structured	-	-
4.2 Other	*9,163*	*3,990*
TOTAL (book value)	**116,067**	**114,879**
TOTAL (fair value)	**116,061**	**114,818**

Non-performing loans due from banks amounted to 7 million euro as at 31 December 2009 and 9 million euro as at 31 December 2008.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Due from banks with specific fair value hedges	**767**	**525**
a) Interest rate risk	767	525
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**767**	**525**

6.3 Financial leases

Intesa Sanpaolo has no financial leases with banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2009		31.12.2008	
	Performing	Non-performing	Performing	Non-performing
1. Current accounts	18,036	1,019	23,240	676
2. Repurchase agreements	8,330	-	5,581	-
3. Mortgages	75,246	4,420	76,722	2,656
4. Credit card loans, personal loans and transfer of one fifth of salaries	1,579	52	2,292	58
5. Finance leases	-	-	-	-
6. Factoring	1	-	8	-
7. Other transactions	60,995	2,881	88,469	695
8. Debt securities	5,991	-	7,064	-
8.1 Structured securities	*91*	-	-	-
8.2 Other debt securities	*5,900*	-	*7,064*	-
TOTAL (book value)	**170,178**	**8,372**	**203,376**	**4,085**
TOTAL (fair value)	**170,557**	**8,372**	**201,596**	**4,085**

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2009		31.12.2008	
	Performing	Non-performing	Performing	Non-performing
1. Debt securities	**5,991**	**-**	**7,064**	**-**
a) Governments	625	-	634	-
b) Other public entities	6	-	306	-
c) Other issuers	5,360	-	6,124	-
- non-financial companies	*12*	-	*54*	-
- financial institutions	*3,505*	-	*4,258*	-
- insurance companies	*1,843*	-	*1,812*	-
- other	-	-	-	-
2. Loans	**164,187**	**8,372**	**196,312**	**4,085**
a) Governments	381	-	434	-
b) Other public entities	681	3	658	5
c) Other counterparties	163,125	8,369	195,220	4,080
- non-financial companies	*78,355*	*6,312*	*106,592*	*2,851*
- financial institutions	*47,318*	*259*	*46,909*	*38*
- insurance companies	*414*	-	*498*	-
- other	*37,038*	*1,798*	*41,221*	*1,191*
TOTAL	**170,178**	**8,372**	**203,376**	**4,085**

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Loans to customers with specific fair value hedges	**3,685**	**6,368**
a) Interest rate risk	3,685	6,368
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**3,685**	**6,368**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of variable rate funding represented by securities, to the extent to which this is used to finance fixed rate investments, or via specific fair value hedges.

7.4 Financial leases

Intesa Sanpaolo has no financial leases.

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS AND CAPTION 60 OF LIABILITIES

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Only derivatives traded on regulated markets are considered quoted derivatives. For futures, on the basis of the instructions issued by the Bank of Italy, the relative margins are recorded under Loans to customers.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2009			Notional value 31.12.2009	Fair value 31.12.2008			Notional value 31.12.2008
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**5,489**	**-**	**109,411**	**-**	**4,275**	**-**	**92,372**
1) fair value	-	5,487	-	108,773	-	4,269	-	91,498
2) cash flows	-	2	-	638	-	6	-	874
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**5,489**	**-**	**109,411**	**-**	**4,275**	**-**	**92,372**

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans	15	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	8	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**15**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**
1. Financial liabilities	3,560	-	-	X	128	X	2	X	X
2. Portfolio	X	X	X	X	X	1,776	X	-	X
Total liabilities	**3,560**	**-**	**-**	**-**	**128**	**1,776**	**2**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2009	31.12.2008
1. Positive fair value change	**68**	**65**
1.1. of specific portfolios	68	65
a) loans	*68*	*65*
b) assets available for sale	-	-
1.2. overall	-	-
2. Negative fair value change	**-1**	**-**
2.1. of specific portfolios	-1	-
a) loans	*-1*	-
b) assets available for sale	-	-
2.2. overall	-	-
TOTAL	**67**	**65**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2009	31.12.2008
1. Loans	13,824	12,448
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**13,824**	**12,448**

The figure refers to the nominal value of coupons on floating rate mortgages and securities hedged through fair value macrohedging for the period from the date in which the coupon is set to the date of payment.

SECTION 10 – EQUITY INVESTMENTS – CAPTION 100

10.1 Equity investments in subsidiaries, companies subject to joint control or significant influence: information on equity stakes

	Registered office	% held	Votes available %
A. Wholly-owned subsidiaries (*)			
1. AGRICOLA INVESTIMENTI S.r.l. in liquidation	Milano	100.00	100.00
2. AGRIVENTURE S.p.A.	Firenze	80.00	80.00
3. BANCA DELL'ADRIATICO S.p.A.	Pesaro	100.00	100.00
4. BANCA DI CREDITO SARDO S.p.A.	Cagliari	100.00	100.00
5. BANCA DI TRENTO E BOLZANO S.p.A.	Trento	20.18	20.18
6. BANCA FIDEURAM S.p.A.	Roma	100.00	100.00
7. BANCA IMI S.p.A.	Milano	100.00	100.00
8. BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO S.p.A.	Roma	100.00	100.00
9. BANCA INTESA A.D. - BEOGRAD	Novi Beograd	15.21	15.21
10. BANCA PROSSIMA S.p.A.	Milano	100.00	100.00
11. BANCO DI NAPOLI S.p.A.	Napoli	100.00	100.00
12. BANK OF ALEXANDRIA (a)	Cairo	80.00	70.25
13. BANKA KOPER D.D.	Koper (Slovenia)	97.28	97.28
14. BN FINRETE S.p.A. in liquidation	Napoli	99.00	99.00
15. CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A. - CARIROMAGNA	Forlì	68.43	68.43
16. CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A. - CariFVG	Gorizia	100.00	100.00
17. CASSA DI RISPARMIO DEL VENETO S.p.A.	Padova	100.00	100.00
18. CASSA DI RISPARMIO DI FIRENZE S.p.A.	Firenze	89.71	89.71
19. CASSA DI RISPARMIO DI VENEZIA S.p.A.	Venezia	100.00	100.00
20. CASSA DI RISPARMIO IN BOLOGNA S.p.A.	Bologna	100.00	100.00
21. CENTRAL-EUROPEAN INTERNATIONAL BANK Ltd.	Budapest	6.52	6.52
22. CENTRO FACTORING S.p.A.	Firenze	10.81	10.81
23. CENTROVITA ASSICURAZIONI S.p.A.	Firenze	51.00	51.00
24. CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO	Roma	55.00	55.00
25. CORMANO S.r.l.	Varese	70.82	70.82
26. COTONIFICIO BRESCIANO OTTOLINI - C.B.O. S.r.l. in liquidation	Salò (Brescia)	97.58	97.58
27. EQUITER S.p.A.	Torino	100.00	100.00
28. EURIZON A.I. SGR S.p.A.	Milano	10.00	10.00
29. EURIZON CAPITAL SGR S.p.A.	Milano	100.00	100.00
30. EURIZON VITA S.p.A.	Torino	99.96	99.96
31. FINANZIARIA B.T.B S.p.A.	Trento	99.29	99.29
32. IMI INVESTIMENTI S.p.A.	Bologna	100.00	100.00
33. IMMIT - NUOVA IMMOBILI ITALIANI S.r.l.	Torino	100.00	100.00
34. INFOGROUP S.c.p.A.	Firenze	31.07	31.07
35. INTESA EURIZON ASSET MANAGEMENT BEOGRAD A.D.	Beograd	20.00	20.00
36. INTESA FUNDING LLC	Wilmington	100.00	100.00
37. INTESA INVESTIMENTI S.p.A.	Milano	100.00	100.00
38. INTESA LEASE SEC S.r.l.	Milano	60.00	60.00
39. INTESA PREFERRED CAPITAL COMPANY LLC	Wilmington	100.00	100.00
40. INTESA PREVIDENZA - SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.p.A.	Milano	78.53	78.53
41. INTESA REAL ESTATE S.r.l.	Milano	100.00	100.00
42. INTESA SANPAOLO BANK ALBANIA SH.A. (b)	Tirana	90.83	98.61
43. INTESA SANPAOLO BANK IRELAND PLC	Dublin	100.00	100.00
44. INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni	Napoli	80.00	80.00
45. INTESA SANPAOLO GROUP SERVICES S.c.p.A.	Torino	99.87	99.87
46. INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	100.00	100.00
47. INTESA SANPAOLO PRIVATE BANKING S.p.A.	Milano	100.00	100.00
48. INTESA SANPAOLO REAL ESTATE ROMANIA S.A.	Arad	100.00	100.00
49. INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Arad	99.25	99.25
50. INTESA SANPAOLO SERVICOS E EMPREENDIMENTOS Ltda.	Sao Paulo	99.82	99.82
51. INTESA SANPAOLO TRUST COMPANY FIDUCIARIA S.p.A.	Milano	100.00	100.00
52. INTESA SEC. 2 S.r.l.	Milano	60.00	60.00
53. INTESA SEC. 3 S.r.l.	Milano	60.00	60.00

	Registered office	% held	Votes available %
54. INTESA SEC. NPL S.p.A.	Milano	60.00	60.00
55. INTESA SEC. S.p.A.	Milano	60.00	60.00
56. INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE	Wilmington	100.00	100.00
57. INTESASANPAOLO EURODESK S.p.r.l.	Brussels	100.00	100.00
58. INVERSIONES MOBILIARIAS S.A. "IMSA"	Lima	99.40	99.40
59. ISP CB IPOTECARIO S.r.l.	Milano	100.00	100.00
60. ISP CB PUBBLICO S.r.l.	Milano	60.00	60.00
61. ISP SEC. 4 S.r.l.	Milano	100.00	100.00
62. LEASINT S.p.A.	Milano	100.00	100.00
63. LIMA SUDAMERIS HOLDING S.A. in liquidation	Lima	52.87	52.87
64. MEDIOCREDITO ITALIANO S.p.A.	Milano	100.00	100.00
65. MEDIOFACTORING S.p.A.	Milano	100.00	100.00
66. MONETA S.p.A.	Bologna	100.00	100.00
67. NEOS FINANCE S.p.A.	Bologna	100.00	100.00
68. OOO INTESA REALTY RUSSIA	Moscow	100.00	100.00
69. OTTOBRE 2008 S.r.l.	Milano	100.00	100.00
70. PRAVEX BANK Joint-Stock Commercial Bank	Kiev	100.00	100.00
71. PRIVATE EQUITY INTERNATIONAL S.A.	Luxembourg	90.90	90.90
72. SANPAOLO IMI BANK (INTERNATIONAL) S.A.	Funchal	100.00	100.00
73. SANPAOLO IMI Capital Company I, L.L.C.	Wilmington	100.00	100.00
74. SANPAOLO IMI U.S. FINANCIAL CO.	Wilmington	100.00	100.00
75. SEP - Servizi e Progetti S.c.p.A.	Torino	100.00	100.00
76. SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA S.I.RE.F. S.p.A.	Milano	100.00	100.00
77. STUDI E RICERCHE PER IL MEZZOGIORNO (c)	Napoli	16.67	16.67
78. SUD POLO VITA S.p.A.	Torino	98.79	98.79
79. ZACCHERINI ALVISI S.r.l.	Milano	100.00	100.00
80. ZAO BANCA INTESA Closed Joint-stock Company	Moscow	100.00	100.00
B. Companies subject to joint control			
1. ALLFUNDS BANK S.A.	Madrid	50.00	50.00
2. AUGUSTO S.r.l.	Milano	5.00	5.00
3. CENTRADIA GROUP LIMITED (in liquidation)	London	29.03	30.45
4. COLOMBO S.r.l.	Milano	5.00	5.00
5. DIOCLEZIANO S.r.l.	Milano	5.00	5.00
6. LEONARDO TECHNOLOGY S.p.A.	Milano	25.00	25.00
7. MANUCOR S.p.A.	Milano	72.75	45.50
8. NOVERCA ITALIA S.R.L.	Roma	34.00	34.00
9. SHANGHAI SINO-ITALY BUSINESS ADVISORY COMPANY LIMITED	Shangai	40.00	40.00
C. Companies subject to significant influence			
1. AL.FA. - UN'ALTRA FAMIGLIA DOPO DI NOI - IMPRESA SOCIALE S.r.l.	Milano	42.86	42.86
2. ALITALIA - COMPAGNIA AEREA ITALIANA S.p.A.	Fiumicino	8.86	8.86
3. AUTOSTRADE LOMBARDE S.p.A.	Bergamo	39.71	39.71
4. BANCA IMPRESA LAZIO S.p.A.	Roma	12.00	12.00
5. BANK OF QINGDAO CO. Ltd.	Qingdao	20.00	20.00
6. CARGOITALIA S.p.A.	Milano	33.33	33.33
7. CASSA DI RISPARMIO DI FERMO S.p.A.	Fermo	33.33	33.33
8. CONSORZIO BANCARIO SIR S.p.A in liquidation	Roma	32.86	32.86
9. EUROMILANO S.p.A.	Milano	38.00	38.00
10. EUROPROGETTI E FINANZA in liquidation S.p.A.	Roma	15.97	15.97
11. F.I.L.A. FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.	Milano	24.75	24.75
12. GCL HOLDINGS L.P. S.à.r.l.	Luxembourg	22.15	22.15
13. GRANDE JOLLY S.p.A.	Milano	2.64	2.64
14. IFAS GRUPPO S.p.A. in liquidation	Torino	45.00	45.00
15. INTESA VITA S.p.A. (d)	Milano	50.00	44.44

	Registered office	% held	Votes available %
16. ITALFONDIARIO S.p.A.	Roma	11.25	11.25
17. MATER-BI S.p.A.	Milano	34.48	34.48
18. MF HONYVEM S.p.A.	Milano	30.00	30.00
19. NEWCOCOT S.p.A.	Cologno Monzese	24.61	24.61
20. NH HOTELES S.A.	Madrid	2.35	2.35
21. NH ITALIA S.r.l.	Milano	42.75	42.75
22. NOVERCA S.r.l.	Roma	10.00	10.00
23. OBIETTIVO NORDEST SICAV	Venezia Marghera	13.68	13.68
24. P.B. S.r.l. in liquidation	Milano	42.24	42.24
25. PIETRA S.r.l.	Milano	22.22	22.22
26. PIRELLI & C. REAL ESTATE S.G.R. S.p.A.	Milano	10.00	10.00
27. PIRELLI & C. S.p.A.	Milano	1.58	1.62
28. R.C.N. FINANZIARIA S.p.A.	Mantova	23.96	23.96
29. RIZZOLI CORRIERE DELLA SERA MEDIAGROUP S.p.A.	Milano	4.83	5.02
30. SIA - SSB S.p.A.	Milano	30.64	30.64
31. SOCIETA' GESTIONE PER IL REALIZZO In liquidation S.p.A.	Roma	38.33	38.33
32. SOLAR EXPRESS S.r.l.	Firenze	40.00	40.00
33. TANGENZIALI ESTERNE DI MILANO S.p.A.	Milano	5.00	5.00
34. TELCO S.p.A.	Milano	11.62	11.62
35. TERMOMECCANICA S.p.A.	La Spezia	27.50	27.50
36. UNO A ERRE ITALIA S.p.A.	Arezzo	18.90	18.90
37. VARESE INVESTIMENTI S.p.A.	Varese	40.00	40.00

(a) In March 2009 the sale of 9.75% of the share capital of Bank of Alexandria (BOA) to International Finance Corporation (IFC) was completed and a Put&Call Agreement was signed regarding the stake sold by Intesa Sanpaolo. Based on the terms and conditions that governed the transaction and failing the requirements for derecognition as provided for by correct application of IFRS, the shareholding includes the stake sold, while the voting rights have been transferred to the purchaser.

(b) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A. there are Potential Voting Rights on 7.8% of the capital due to a call option held by Intesa Sanpaolo. Please note that the shareholding includes 1.39% corresponding to the share of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006, based on the terms and conditions that governed the transaction.

(c) Company included among significant shareholdings since overall the Group holds a controlling stake.

(d) The stake of the ordinary share capital held is 50%, which is reduced to 44% if preferred shares are considered.

(*) Intesa Sanpaolo holds 5% of the share capital of SPVs Adriano Finance S.r.l., Adriano Finance 2 S.r.l., Adriano Finance 3 S.r.l., which are included in the line-by-line scope of consolidation.

The equity investments in Intesa Sanpaolo Servizi Transazionali S.p.A. and Sanpaolo Bank S.A. were reclassified under non-current assets held for sale – IFRS 5.

The illustration of the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Equity investments in subsidiaries, companies subject to joint control or significant influence: financial highlights

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
A. WHOLLY-OWNED SUBSIDIARIES					**39,871**	X
1. AGRICOLA INVESTIMENTI S.r.l. in liquidation	-	-	-	-	-	-
2. AGRIVENTURE S.p.A.	4	1		3	3	
3. BANCA DELL'ADRIATICO S.p.A.	5,614	441	-16	456	522	-
4. BANCA DI CREDITO SARDO S.p.A.	5,649	469	40	459	297	-
5. BANCA DI TRENTO E BOLZANO S.p.A.	3,066	178	5	172	24	-
6. BANCA FIDEURAM S.p.A.	11,149	1,167	42	1,584	2,477	-
7. BANCA IMI S.p.A.	118,422	57,824	508	2,936	3,220	-
8. BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO S.p.A.	47,593	3,956	107	958	902	-
9. BANCA INTESA A.D. - BEOGRAD	3,203	1,288	63	515	179	-
10. BANCA PROSSIMA S.p.A.	490	13	-5	111	120	-
11. BANCO DI NAPOLI S.p.A.	28,366	2,347	202	2,574	3,330	-
12. BANK OF ALEXANDRIA	4,109	403	59	393	1,273	-
13. BANKA KOPER D.D.	2,426	312	21	258	252	-
14. BN FINRETE S.p.A. in liquidation	-	-	-	-	-	-
15. CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A. - CARIROMAGNA	4,581	301	7	386	324	-
16. CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A. - CariFVG	4,334	313	-	369	407	-
17. CASSA DI RISPARMIO DEL VENETO S.p.A.	19,973	1,713	-8	1,509	1,776	-
18. CASSA DI RISPARMIO DI FIRENZE S.p.A.	18,091	1,778	454	2,287	4,190	-
19. CASSA DI RISPARMIO DI VENEZIA S.p.A.	4,991	405	10	473	677	-
20. CASSA DI RISPARMIO IN BOLOGNA S.p.A.	10,717	857	-14	1,005	1,110	-
21. CENTRAL-EUROPEAN INTERNATIONAL BANK Ltd.	10,051	2,338	20	876	101	-
22. CENTRO FACTORING S.p.A.	1,226	70	9	69	5	-
23. CENTROVITA ASSICURAZIONI S.p.A.	3,241	513	16	121	34	
24. CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO	-	-	-	-	-	-
25. CORMANO S.r.l.	-	-	-	-	-	-
26. COTONIFICIO BRESCIANO OTTOLINI - C.B.O. S.r.l. in liquidation	-	-	-	-	-	-
27. EQUITER S.p.A.	307	23	-42	304	342	-
28. EURIZON A.I. SGR S.p.A.	22	16	2	15	1	-
29. EURIZON CAPITAL SGR S.p.A.	945	830	102	609	2,199	-
30. EURIZON VITA S.p.A.	25,652	4,959	17	1,411	2,423	-
31. FINANZIARIA B.T.B S.p.A.	94	6	5	76	134	-
32. IMI INVESTIMENTI S.p.A.	948	53	38	943	917	-
33. IMMIT - NUOVA IMMOBILI ITALIANI S.r.l.	1	-	-	1	1	-
34. INFOGROUP S.c.p.A.	52	74	2	21	4	
35. INTESA EURIZON ASSET MANAGEMENT BEOGRAD A.D.				1		
36. INTESA FUNDING LLC	6,158	40	-	-	-	-
37. INTESA INVESTIMENTI S.p.A.	1,047	10	6	1,039	1,000	-
38. INTESA LEASE SEC S.r.l.	-	-	-	-	-	-
39. INTESA PREFERRED CAPITAL COMPANY LLC	44	1	1	44	44	-
40. INTESA PREVIDENZA - SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.p.A.	25	15	1	20	12	-
41. INTESA REAL ESTATE S.r.l.	38	2	-	34	39	-
42. INTESA SANPAOLO BANK ALBANIA SH.A.	829	76	12	80	175	-
43. INTESA SANPAOLO BANK IRELAND PLC	17,408	971	85	1,082	921	-
44. INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni	-	-	-	-	-	-
45. INTESA SANPAOLO GROUP SERVICES S.c.p.A.	1,309	1,310	-	493	492	-
46. INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	10,345	268	71	6,369	6,133	-
47. INTESA SANPAOLO PRIVATE BANKING S.p.A.	5,620	335	58	352	254	-
48. INTESA SANPAOLO REAL ESTATE ROMANIA S.A.	-	-	-	-	-	-
49. INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	721	144	-	128	147	-
50. INTESA SANPAOLO SERVICOS E EMPREENDIMENTOS Ltda.					1	
51. INTESA SANPAOLO TRUST COMPANY FIDUCIARIA S.p.A.	4	1		3	12	

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
52. INTESA SEC. 2 S.r.l.	-	-	-	-	-	-
53. INTESA SEC. 3 S.r.l.	-	-	-	-	-	-
54. INTESA SEC. NPL S.p.A.	1	-	-	-	-	-
55. INTESA SEC. S.p.A.	-	-	-	-	-	-
56. INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE	529	35	-	13	9	-
57. INTESASANPAOLO EURODESK S.p.r.l.	-	-	-	-	-	-
58. INVERSIONES MOBILIARIAS S.A. "IMSA"	8	1	-1	8	-	-
59. ISP CB IPOTECARIO S.r.l.	-	-	-	-	-	-
60. ISP CB PUBBLICO S.r.l.	-	-	-	-	-	-
61. ISP SEC. 4 S.r.l.	-	-	-	-	-	-
62. LEASINT S.p.A.	17,298	608	32	593	542	
63. LIMA SUDAMERIS HOLDING S.A. in liquidation	10	-	-1	10	-	-
64. MEDIOCREDITO ITALIANO S.p.A.	13,002	582	65	886	873	-
65. MEDIOFACTORING S.p.A.	7,325	247	48	404	290	-
66. MONETA S.p.A.	3,338	338	44	172	218	-
67. NEOS FINANCE S.p.A.	5,661	536	4	185	184	-
68. OOO INTESA REALTY RUSSIA	-	-	-	-	-	-
69. OTTOBRE 2008 S.r.l.	-	-	-	-	-	-
70. PRAVEX BANK Joint-Stock Commercial Bank	649	163	-47	101	101	-
71. PRIVATE EQUITY INTERNATIONAL S.A.	1,104	49	39	628	501	-
72. SANPAOLO IMI BANK (INTERNATIONAL) S.A.	26	2	1	25	25	-
73. SANPAOLO IMI Capital Company I, L.L.C.	1,059	83	-	48	45	-
74. SANPAOLO IMI U.S. FINANCIAL CO.	4,139	30	-	-	-	-
75. SEP - Servizi e Progetti S.c.p.A.	11	19	1	1	1	-
76. SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA S.I.RE.F. S.p.A.	21	11	3	16	8	-
77. STUDI E RICERCHE PER IL MEZZOGIORNO	-	-	-	-	-	-
78. SUD POLO VITA S.p.A.	6,087	1,014	21	242	494	-
79. ZACCHERINI ALVISI S.r.l.				7	7	
80. ZAO BANCA INTESA Closed Joint-stock Company	222	41	15	105	99	-
B. COMPANIES SUBJECT TO JOINT CONTROL					**95**	X
1. ALLFUNDS BANK S.A.	206	84	1	95	72	-
2. AUGUSTO S.r.l.	-	-	-	-	-	-
3. CENTRADIA GROUP LIMITED (in liquidation)	-	-	-	-	-	-
4. COLOMBO S.r.l.	-	-	-	-	-	-
5. DIOCLEZIANO S.r.l.	-	-	-	-	-	-
6. LEONARDO TECHNOLOGY S.p.A.	85	15	-2	17	5	-
7. MANUCOR S.p.A.	128	97	-2	15	5	-
8. NOVERCA ITALIA S.R.L.	49	-	-4	34	13	-
9. SHANGHAI SINO-ITALY BUSINESS ADVISORY COMPANY LIMITED	-	-	-	-	-	-
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					**1,829**	
1. AL.FA. - UN'ALTRA FAMIGLIA DOPO DI NOI - IMPRESA SOCIALE S.r.l.	-	-	-	-	-	-
2. ALITALIA - COMPAGNIA AEREA ITALIANA S.p.A.	3,232	1,320	-324	727	100	-
3. AUTOSTRADE LOMBARDE S.p.A.	130	2	1	99	58	-
4. BANCA IMPRESA LAZIO S.p.A.	30	1	-	7	1	-
5. BANK OF QINGDAO CO. Ltd.	4,435	58	45	417	121	-
6. CARGOITALIA S.p.A.	15	-	-	13	7	-
7. CASSA DI RISPARMIO DI FERMO S.p.A.	1,423	77	11	155	48	-
8. CONSORZIO BANCARIO SIR S.p.A in liquidation	-	-	-	-500	-	-
9. EUROMILANO S.p.A.	141	16	-5	34	11	-
10. EUROPROGETTI E FINANZA in liquidation S.p.A.	10	3	-1	5	-	-
11. F.I.L.A. FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.	176	180	13	41	15	-
12. GCL HOLDINGS L.P. S.à.r.l.	698	108	-23	202	45	-

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
13. GRANDE JOLLY S.p.A.	955	152	-17	438	14	-
14. IFAS GRUPPO S.p.A. in liquidation	-	-	-	-21	-	-
15. INTESA VITA S.p.A.	27,192	4,858	86	1,834	561	-
16. ITALFONDIARIO S.p.A.	69	31	1	33	9	-
17. MATER-BI S.p.A.	34	-	-	32	11	-
18. MF HONYVEM S.p.A.	-	-	-	22	7	-
19. NEWCOCOT S.p.A.	60	58	-6	10	1	-
20. NH HOTELES S.A.	3,294	1,534	8	1,057	38	22
21. NH ITALIA S.r.l.	1,100	201	-39	374	186	-
22. NOVERCA S.r.l.	32	1	-1	31	4	-
23. OBIETTIVO NORDEST SICAV	10	1	-	9	1	-
24. P.B. S.r.l. in liquidation	7	-	-	7	-	-
25. PIETRA S.r.l.	27	-	-	24	5	-
26. PIRELLI & C. REAL ESTATE S.G.R. S.p.A.	67	18	6	41	20	-
27. PIRELLI & C. S.p.A.	6,636	3,755	18	2,245	38	35
28. R.C.N. FINANZIARIA S.p.A.	337	93	-10	-6	4	-
29. RIZZOLI CORRIERE DELLA SERA MEDIAGROUP S.p.A.	3,535	1,626	-73	1,049	66	47
30. SIA - SSB S.p.A.	270	400	12	123	71	-
31. SOCIETA' GESTIONE PER IL REALIZZO in liquidation S.p.A.	60	-	-	42	-	-
32. SOLAR EXPRESS S.r.l.	4	-	-	4	2	-
33. TANGENZIALI ESTERNE DI MILANO S.p.A.	39	8	7	35	2	-
34. TELCO S.p.A.	7,111	61	-39	3,105	378	-
35. TERMOMECCANICA S.p.A.	364	197	-	89	3	-
36. UNO A ERRE ITALIA S.p.A.	48	112	-12	11	-	-
37. VARESE INVESTIMENTI S.p.A.	1			1	**2**	
D. Other equity investments					**532**	
BANCA D'ITALIA					532	
TOTAL					**42,327**	

The difference between the value entered in the Bank's balance sheet of the significant equity investments and the lower value of the corresponding portion of shareholders' equity disclosed in the latest financial statements published by the subsidiaries is usually due to goodwill and the higher market value of the assets owned by the subsidiaries.

With regard to companies set up for the purpose of issuing hybrid capital instruments (Intesa Preferred Capital Company LLC, IntesaBci Preferred Capital Company LLC III and Sanpaolo IMI Capital Company I, LLC), Intesa Sanpaolo holds 100% of voting rights. Considering the Preferred Shares issued, the percentage held drops to 18.70% in Intesa Preferred Capital Company LLC, to 2.15% in IntesaBci Preferred Capital Company LLC III and to 4.31% in Sanpaolo IMI Capital Company I, LLC.
Considering its peculiarity, as already described in accounting policies, the stake in the Bank of Italy is also included.

10.3 Equity investments: annual changes

(millions of euro)

	31.12.2009	31.12.2008
A. Initial amount	**41,057**	**37,081**
B. Increases	**4,721**	**10,946**
B.1 purchases	1,198	3,399
of which business combinations	-	-
B.2 write-backs	-	-
B.3 revaluations	-	-
B.4 other changes	3,523	7,547
C. Decreases	**-3,451**	**-6,970**
C.1 sales	-148	-1,311
C.2 impairment losses [(a)]	-122	-2,067
C.3 other changes	-3,181	-3,592
D. Final amount	**42,327**	**41,057**
E. Total revaluations	**391**	**391**
F. Total impairment losses	**-3,296**	**-3,179**

[(a)] includes 17 million euro due to losses on investments carried at equity

Subcaption B.1 "Purchases" essentially refers to the following transactions:
- subscription to a share capital increase of Intesa Sanpaolo Holding International S.A. for a total of 859 million euro, achieved through reimbursement of an equity bond for the same amount;
- 396,910,000 shares of Bank of Qingdao CO. Ltd., corresponding to 20% of share capital, at a price of 121 million euro;
- subscription to a share capital increase of Pravex Bank Public Joint-Stock Company Commercial Bank, for a total of 50 million euro;
- 26,520,000 shares of Centrovita Assicurazioni S.p.A., corresponding to 51% of share capital, at a price of 67 million euro;
- 1,751,283 shares of Intesa Sanpaolo Bank Albania SH. A., corresponding to an 11.2% stake, at a price of 27 million euro; as a result of this transaction, the Bank's equity stake rose to 90.8 %;
- reconstitution of capital and name change of the former Imifin S.p.A. - in liquidation, now Intesa Sanpaolo Group Services S.c.p.A., through the subscription of 20,658 shares, for a total of 21 million euro;
- subscription to a share capital increase of Autostrade Lombarde S.p.A., for a total of 14 million euro;
- 4,462,431 shares of SIA – SSB S.p.A., corresponding to a 2.6% stake, at a price of 13 million euro; as a result of this transaction, the Bank's equity stake rose to 30.64%;
- 2,455,876 shares of Pirelli & C. Real Estate SGR S.p.A., corresponding to 10% of share capital, at a price of 20 million euro;
- 6,666,666 shares of Cargoitalia S.p.A., corresponding to 33.33% of share capital, at a price of 7 million euro;
- 78,000 shares of MF Honyvem S.p.A., corresponding to 30% of share capital, at a price of 7 million euro.

Subcaption B.4 "Other changes" essentially refers to the following transactions:
- transfer to subsidiary bank Banca IMI S.p.A. of the investment banking business of Intesa Sanpaolo for 750 million euro, corresponding to a capital increase of 300 million euro and a share premium of 450 million euro;
- partial spin-off of Mediocredito Italiano S.p.A. with allocation to Intesa Sanpaolo of the investments in Leasint S.p.A. for a value of 542 million euro and Banca di Credito Sardo S.p.A. for a value of 23 million euro;
- transfer to Intesa Sanpaolo Group Services S.c.p.A. of the Services, Real estate services and Contact Unit business lines of Intesa Sanpaolo for a total of 472 million euro. This transaction was carried out in two tranches: the first through subscription of a share capital increase of 131 million euro and share premium of 142 million euro, and the second through subscription of a share capital increase of 120 million euro and share premium of 79 million euro;
- transfer to Cassa di Risparmio in Bologna S.p.A. of 39 branches of the former Intesa network for a value of 195 million euro, corresponding to a 135 million euro share capital increase and a 60 million euro share premium;
- reverse merger of subsidiary bank Neos Banca S.p.A. into Neos Finance S.p.A., wholly-owned by Neos Banca S.p.A., for 184 million euro;
- transfer to Eurizon Capital SGR S.p.A. of the investment in CR Firenze Gestion Internationale S.A. for 53 million euro, carried out through subscription of a capital increase with a nominal value of 8 million euro and a 45 million euro share premium, and of the investment in Penghua Fund Management CO. Ltd. for 124 million euro, through subscription of a share capital increase of 52 million euro and a share premium of 72 million euro;
- transfer of a business line, consisting of 62 branches, by Intesa Sanpaolo to Intesa Sanpaolo Private Banking S.p.A. for 145 million euro, corresponding to a capital increase of 52 million euro and a share premium

of 93 million euro, and spin-off in favour of Intesa Sanpaolo Private Banking S.p.A of a business line by Cassa di Risparmio del Veneto S.p.A., Cassa di Risparmio in Bologna S.p.A., Cassa di Risparmio di Venezia S.p.A., Cassa di Risparmio del Friuli Venezia Giulia S.p.A., Banca dell'Adriatico S.p.A. and Banco di Napoli S.p.A. for a total of 26 million euro;
- transfer to Banca di Credito Sardo S.p.A. of 93 branches for a value of 146 million euro, corresponding to an 88 million euro share capital increase and 58 million euro share premium;
- transfer to Banca dell'Adriatico S.p.A. of 33 branches for a value of 62 million euro, corresponding to a 40 million euro share capital increase and 22 million euro share premium;
- transfer to Cassa di Risparmio del Friuli Venezia Giulia S.p.A. of 19 branches for a value of 46 million euro, corresponding to a 30 million euro share capital increase and 16 million euro share premium;
- transfer to Cassa di Risparmio di Venezia S.p.A. of 11 branches for a value of 42 million euro, corresponding to a 30 million euro share capital increase and 12 million euro share premium;
- transfer to Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna of 14 branches for a value of 38 million euro, corresponding to a 13 million euro share capital increase and 25 million euro share premium;
- payment for a future capital increase amounting to 18 million euro in favour of Equiter S.p.A.;
- transfer to Banca di Trento e Bolzano S.p.A. of 7 branches for a value of 13 million euro, corresponding to an 8 million euro share capital increase and 5 million euro share premium.

Subcaption C.1 "Sales" essentially refers to the following transactions:
- disposal of the investment in Esaote S.p.A. at a price of 98 million euro;
- disposal of the investment in Intesa Trade Sim S.p.A. at a price of 45 million euro.

Subcaption C.3 "Other changes" essentially refers to the following transactions:
- merger by incorporation of the subsidiary IMMIT – Immobili Italiani S.p.A. into Intesa Sanpaolo S.p.A. for 1,038 million euro;
- partial spin-off of Mediocredito Italiano S.p.A. for a value of 565 million euro through assignment to Intesa Sanpaolo of the investments in Leasint S.p.A. (542 million euro) and Banca di Credito Sardo S.p.A. (23 million euro);
- reverse merger of subsidiary bank Neos Banca S.p.A. into Neos Finance S.p.A., wholly owned by Neos Banca S.p.A., for 184 million euro;
- transfer of the investment in Penghua Fund Management Co. Ltd. to Eurizon Capital SGR S.p.A. for 99 million euro;
- transfer of the investment in CR Firenze Gestion Internationale S.A. to Eurizon Capital SGR S.p.A. for 53 million euro;
- spin-off in favour of Intesa Sanpaolo Private Banking S.p.A of a business line by Banco di Napoli S.p.A. for 20 million euro and Cassa di Risparmio del Veneto S.p.A., Cassa di Risparmio in Bologna S.p.A., Cassa di Risparmio di Venezia S.p.A., Cassa di Risparmio del Friuli Venezia Giulia S.p.A., and Banca dell'Adriatico S.p.A. for a total of 6 million euro.

10.4 Commitments referred to investments in subsidiaries

The main elements of the commitments concerning equity investments in subsidiaries are described below:
- after obtaining control (with an 89.7% share) of Cassa di Risparmio di Firenze, in accordance with the Shareholders' Agreement which entered into force after the delisting of Cassa di Risparmio di Firenze, Intesa Sanpaolo recognised a total of approximately 373 million euro to "Commitments against put options issued" for the remaining 10.3%;
- further to the Shareholders' Agreement stipulated in 2006 between Intesa Sanpaolo Holding International and International Finance Corporation – IFC of Washington DC, Intesa Sanpaolo recognised approximately 58 million euro to "Commitments against put options issued" for the remaining 7% of Banca Intesa Beograd;
- further to the Shareholders' Agreement stipulated between Intesa Sanpaolo, Finanziaria B.T.B. and ISA regarding approximately 10% of Banca di Trento e Bolzano share capital, Intesa Sanpaolo recognised approximately 37 million euro to "Commitments against put options issued";
- following the purchase of 90.8% of share capital of Intesa Sanpaolo Bank of Albania, based on the provisions of the "Shareholders' Agreement" and agreements with the European Bank for Reconstruction, Intesa Sanpaolo recognised approximately 11 million euro under "commitments against put options issued" relating to the remaining 7.78% of the Albanian bank;
- the squeeze-out and sell-out rules of the Slovenian Companies Act of 3 May 2006 envisage a put option in favour of minority shareholders of Banka Koper if Intesa Sanpaolo should exceed 90% of the bank's share capital. These squeeze-out and sell-out rules led to the recognition of approximately 9 million euro to "Commitments against put options issued".
- following the irrevocable exercising by BNP Paribas Assurance and Cardif Assicurazioni of the put option to sell Cassa di Risparmio di Firenze 49% of the share capital of Centrovita Assicurazioni, and further to its taking over of the contract between Cassa di Risparmio di Firenze and BNP/Cardif, Intesa Sanpaolo recognised approximately 74 million euro to commitments against "put options issued".

10.5 Commitments referred to investments in companies subject to joint control

There are no commitments referred to investments in companies subject to joint control.

10.6 Commitments referred to investments in companies subject to significant influence

Intesa Sanpaolo has recognised among its commitments an amount of approximately 151 million euro for the bridge loan requested from the shareholders of Telco S.p.A. The payment was made at the beginning of 2010.

Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, market capitalisation lower than the company's net book value, in the case of securities listed on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount is calculated, represented by the higher of the fair value less costs to sell and the value in use, and if the latter proves lower than the carrying value, impairment is recognised.
No significant impairment losses were recognised during the year with respect to Intesa Sanpaolo's associates and companies subject to joint control. In particular, given the fact that impairment indicators relative to prices lower than the unit carrying values were recorded with respect to certain investments, "basic" assessments were carried out based on an estimation of expected discounted cash flows. The results of these assessments did not lead to the recognition of any impairment losses.
With regard to controlling investments in subsidiaries, the single investments are not individually significant for the purposes of the impairment test in the Parent company's financial statements, instead they are included in the impairment test of the Cash Generating Units (CGU) conducted at consolidated level. More specifically, when an investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the investment itself, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.
For further information on policy regarding the impairment testing of investments, reference should be made to Part A – Accounting policies in the Notes to the Parent company's financial statements.
With regard to investments in subsidiaries, impairment testing on Cash Generating Units led to the need to recognise an impairment loss on the investment in Pravex Bank (identified separately from the International Subsidiary Banks CGU in the consolidated financial statements) for 104 million euro; this adjustment was made in order to align the carrying value of the investment in the Parent company's financial statements to the company's financial statements.

SECTION 11 – PROPERTY AND EQUIPMENT – CAPTION 110

11.1 Property and equipment: breakdown of assets measured at cost

(millions of euro)

	31.12.2009	31.12.2008
A. Property and equipment used in operations		
1.1 owned	2,402	2,651
a) land	*917*	*887*
b) buildings	*1,230*	*1,267*
c) furniture	*163*	*171*
d) electronic equipment	*86*	*321*
e) other	*6*	*5*
1.2 acquired under finance lease	5	16
a) land	*2*	*13*
b) buildings	*3*	*3*
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**2,407**	**2,667**
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 acquired under finance lease	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
TOTAL (A + B)	**2,407**	**2,667**

11.2 Property and equipment: breakdown of assets measured at fair value or revalued

As at 31 December 2009 there are no assets measured at fair value or revalued.

11.3 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**900**	**1,859**	**801**	**3,051**	**29**	**6,640**
A.1 Total net adjustments	-	-589	-630	-2,730	-24	-3,973
A.2 Net initial carrying amount	**900**	**1,270**	**171**	**321**	**5**	**2,667**
B. Increases	**82**	**113**	**24**	**45**	**2**	**266**
B.1 Purchases	82	60	24	45	2	213
of which business combinations	*77*	*32*	-	-	-	*109*
B.2 Capitalised improvement costs	-	52	-	-	-	52
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	-	1	-	-	-	1
C. Decreases	**-63**	**-150**	**-32**	**-280**	**-1**	**-526**
C.1 Sales	-63	-97	-7	-215	-	-382
of which business combinations	-	*-93*	-	*-215*	-	*-308*
C.2 Depreciation	-	-53	-24	-65	-1	-143
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-1	-	-	-1
D. Net final carrying amount	**919**	**1,233**	**163**	**86**	**6**	**2,407**
D.1 Total net adjustments	-	530	652	984	25	2,191
D.2 Gross final carrying amount	**919**	**1,763**	**815**	**1,070**	**31**	**4,598**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved wholly-owned entities.
Total net adjustments (A1 and D1) include the amounts relating to depreciation and to adjustments recorded for the purpose of aligning the book value of an asset to its recoverable amount.
Subcaption E - Measurement at cost does not present any value since, as per instructions issued by the Bank of Italy, it must be completed only for property and equipment measured at fair value.

11.4 Investment property: annual changes

As at the date of the financial statements there is no investment property.

11.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2009 came to approximately 37 million euro, mostly referred to capitalised improvements on real estate assets owned.

SECTION 12 – INTANGIBLE ASSETS - CAPTION 120

12.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2009		31.12.2008	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill	**X**	**6,160**	**X**	**6,870**
A.2 Other intangible assets	**1,070**	**2,009**	**1,543**	**2,009**
A.2.1 Assets measured at cost	1,070	2,009	1,543	2,009
a) Internally generated intangible assets	-	-	*268*	-
b) Other assets	*1,070*	*2,009*	*1,275*	*2,009*
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**1,070**	**8,169**	**1,543**	**8,879**

Other assets and goodwill essentially reflect components from the purchase price allocation process, as per IFRS 3, as part of the merger by incorporation of SANPAOLO IMI into Banca Intesa.

12.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**6,870**	**1,806**	**-**	**2,203**	**2,009**	**12,888**
A.1 Total net adjustments	-	-1,538	-	-928	-	-2,466
A.2 Net initial carrying amount	**6,870**	**268**	**-**	**1,275**	**2,009**	**10,422**
B. Increases	**-**	**23**	**-**	**-**	**-**	**23**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	23	-	-	-	23
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-710**	**-291**	**-**	**-205**	**-**	**-1,206**
C.1 Sales	-534	-256	-	-95	-	-885
of which business combinations	*-534*	*-256*	-	*-95*	-	*-885*
C.2 Impairment losses	-	-31	-	-110	-	-141
- Amortisation	X	-31	-	-110	-	-141
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-159	-2	-	-	-	-161
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-17	-2	-	-	-	-19
D. Net final carrying amount	**6,160**	**-**	**-**	**1,070**	**2,009**	**9,239**
D.1 Total net adjustments	-	-	-	503	-	503
E. Gross final carrying amount	**6,160**	**-**	**-**	**1,573**	**2,009**	**9,742**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved wholly-owned entities.

12.3 Intangible assets: other information

There were no commitments to purchase intangible assets as at 31 December 2009.

Information on intangible assets and goodwill

Intangible assets and goodwill recognised to the Intesa Sanpaolo balance sheet derive mainly from the merger between Banca Intesa and Sanpaolo IMI completed on 1 January 2007.
Reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements for further details of the various components and measurement criteria.
The following table summarises the different values recorded for changes occurring during 2009.

(millions of euro)

	TOTAL 2008 financial statements	Amortisation	Intragroup contributions	Disposal of branches as required by antitrust	IFRS 5 riclassificat.	TOTAL 2009 financial statements
BANCA DEI TERRITORI						
- Intangible asset management - distribution	223	-34	-22	-	-	167
- Intangible assets insurance - distribution	61	-10	-3	-	-	48
- Intangible core deposits	937	-57	-24	-1	-	855
- Intangible brand name	1,507	-	-	-	-	1,507
- Goodwill	5,042	-	-335	-17	-	4,690
CORPORATE & INVESTMENT BANKING						
- Intangible brand name	502	-	-	-	-	502
- Goodwill	1,828	-	-199	-	-159	1,470
TOTAL						
- Intangible asset management - distribution	223	-34	-22	-	-	167
- Intangible assets insurance - distribution	61	-10	-3	-	-	48
- Intangible core deposits	937	-57	-24	-1	-	855
- Intangible brand name	2,009	-	-	-	-	2,009
- Goodwill	6,870	-	-534	-17	-159	6,160

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio accounts (for the value component attributable to distribution) and to core deposits. These assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period which expresses the residual, contractual or estimated life of accounts existing at the time of the business combination.
The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.
For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under caption 180. Net adjustment to/recoveries on intangible assets) for a total of 101 million euro (approximately 69 million euro net of the related tax effect).

Based on IAS 36, these are submitted to impairment testing on an annual basis to verify recoverability of the value of both intangible assets with an indefinite useful life and goodwill. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
The value in use is mainly represented by the present value of net cash flows expected from the business measured.

Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows for the asset initially recognised on application of IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This is because it would prove difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As for the 2008 financial statements, the values in use were used in the impairment tests for the 2009 financial statements, given the instability of the financial markets and the available values for calculation of the recoverable amount.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the draft financial statements for 2009.

Impairment testing of intangibles

Asset management portfolio

The first few months of 2009 recorded a further decline in assets under management, in line with the extremely negative performance of 2008, while the second half of the year was stable and saw a recovery in some segments. The trend during the year showed cautious signs of recovery by the main indicators of the sector compared to the critical situation of the prior year, which had recorded an impairment loss of 223 million euro before taxes and 152 million euro after taxes.

The structure adopted for 2008 has been replicated for the 2009 financial statements, from a prudential perspective, with impairment testing envisaged for year-end data.
For the 2009 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, in consideration of the abovementioned items, impairment testing was then performed on the Eurizon Capital portfolio for the amount attributable to Parent company distribution activity.
The result of the impairment test showed that the asset management intangible value is higher than the carrying value. Therefore, no recognition of impairment in the income statement is necessary for 2009.

Insurance portfolio
The insurance portfolio also felt the impact of the financial crisis, though to a lesser extent than asset management, with volumes and profitability showing a significant recovery during 2009.
For the 2009 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, despite the absence of any significant indicators of impairment, impairment testing was performed by means of a new measurement of the asset, made in reference to the Eurizon Vita and Eurizon Life portfolios for the value component attributable to Parent company distribution activity.
Impairment testing showed that the value of these intangible assets is higher than the amount recorded in the Parent company's financial statements after deducting related amortisation and, therefore, no impairment need be recognised to the income statement.

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 and from the more stable form of funding. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the market interest rate.
For the 2009 financial statements the amortisation of the asset for the year was recognised to the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; in this case impairment testing has to be performed. The area of reference for the purpose of impairment testing is represented by the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2009.
As already reported in Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements, no indicators were detected to imply that the intangible asset is impaired.

Brand name
IFRS 3 considers the "brand name" a marketing-related intangible asset, which may be recorded at the time of purchase price allocation in business combinations.
For this purpose please note that the term "brand" is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.
The value recorded in the Intesa Sanpaolo financial statements refers to the Sanpaolo IMI brand recognised at the time of the Banca Intesa-Sanpaolo IMI merger.
As this intangible asset has no independent cash flows, for the impairment testing for the 2009 financial statements it was included in the verification of the retention of goodwill for the various CGUs and therefore reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements.

Impairment of CGUs and goodwill
To verify impairment of intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, for the purpose of IAS 36, the estimate of value in use requires the preliminary assignment of such intangible assets to relatively independent organisational units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs).
Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.
The CGUs of the Intesa Sanpaolo Group that have benefitted over time from the synergies created by the business combinations implemented and which have to various extents included goodwill values are:
– Banca dei Territori;
– Corporate and Investment Banking;
– Public Finance;
– Eurizon Capital;
– Banca Fideuram;
– International Subsidiary Banks.
More specifically, goodwill recognised in the Intesa Sanpaolo financial statements is in part attributed to the Banca dei Territori CGU and in part to the Corporate & Investment Banking CGU.
As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent company is that of the Group as a whole and

not only that of the Parent company as an individual entity, the CGUs are identified in the consolidated financial statements.
Furthermore, as illustrated in the Accounting Policies, controlling investments are not treated, for impairment test purposes, as single assets to be individually subjected to testing. The definition of CGU, considering the organisational model adopted by Intesa Sanpaolo, disregards the breakdown of the legal entities, as the investments are combined, together with the operations conducted directly by the Parent company, into CGUs that are larger or that have a different structure. Therefore, the impairment test carried out at the consolidated level is also relevant at the separate financial statements level.
For an illustration of the impairment testing of this component, reference should be made to Part B - Information on the consolidated balance sheet - Assets of the consolidated financial statements.
A comparison of the values in use calculated and the book values of intangible assets with indefinite life, goodwill and controlling investments did not identify any impairment requirements. Furthermore, an impairment of 104 million euro was recorded with reference to subsidiary Pravex, in order to align its book value to its shareholders' equity as at 31 December 2009, also in light of the loss recorded by the company during the year.

SECTION 13 – TAX ASSETS AND LIABILITIES – CAPTION 130 OF ASSETS AND CAPTION 80 OF LIABILITIES

13.1 Deferred tax assets: breakdown

(millions of euro)

	31.12.2009		31.12.2008	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
A. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	447	-	399	-
of which pertaining to countries of foreign branches	*4*	-	*5*	-
Provisions for future charges	331	-	316	-
Higher tax value of equity investments, securities and other assets	64	2	49	-
of which pertaining to countries of foreign branches	*1*	-	*1*	-
Extraordinary charges for incentive-driven exit plans	-	-	217	-
Other	1,893	313	1,794	297
B. Taxable temporary differences				
Costs deducted off balance sheet (art. 109 TUIR)	3	7	58	7
Capital gains in instalments	294	1	375	1
Lower tax value of equity investments, securities and other assets	94	28	44	70
Other	59	8	389	-
TOTAL	**2,285**	**271**	**1,909**	**219**
Corresponding caption in Shareholders' equity	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	135	24	125	22
Recognition of actuarial gains/losses	-	-	-	-
Assets available for sale	-	-	31	3
TOTAL	**135**	**24**	**156**	**25**
Total deferred tax assets	**2,420**	**295**	**2,065**	**244**

13.2 Deferred tax liabilities: breakdown

(millions of euro)

	31.12.2009		31.12.2008	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
A. Taxable temporary differences				
Costs deducted off balance sheet (art. 109 TUIR)	36	-	42	-
Lower tax value of securities and other assets	276	8	738	108
of which pertaining to countries of foreign branches	*1*	-	-	-
Other	54	18	32	10
B. Temporary deductible differences				
years	-	-	-	-
Higher tax value of securities and other assets	-	-	-	-
Other	-	-	-	-
TOTAL	**366**	**26**	**812**	**118**
Corresponding caption in Shareholders' equity	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	-	-	-	-
Reserve pursuant to Law 169/83	4	-	4	-
Reserve pursuant to Law 213/98	8	-	8	-
Assets available for sale	29	3	6	-
TOTAL	**41**	**3**	**18**	**-**
Total deferred tax liabilities	**407**	**29**	**830**	**118**

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

(millions of euro)

	31.12.2009	31.12.2008
1. Initial amount	**2,128**	**659**
2. Increases	**1,359**	**3,244**
2.1 Deferred tax assets recognised in the period	274	2,513
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) writebacks	-	-
d) other	*274*	*2,513*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	1,085	731
2.4 Business combinations	-	-
3. Decreases	**-931**	**-1,775**
3.1 Deferred tax assets eliminated in the period	-295	-458
a) reversals	*-295*	*-458*
b) write-offs due to expired recoverability	-	-
c) changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-561	-1,282
3.4 Business combinations	-75	-35
4. Final amount	**2,556**	**2,128**

Other increases refer to the write-off of netting against deferred tax liabilities performed as at 31 December 2008 for 1,085 million euro.
Other decreases as at 31 December 2009 refer to the netting of deferred tax liabilities for the year of 494 million euro.
The subcaption "Business combinations" as at 31 December 2009 refers to deferred tax assets transferred to Group companies as part of the geographical reorganisation project of the Banca dei Territori Division and of other extraordinary transactions that took place during the year.

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

(millions of euro)

	31.12.2009	31.12.2008
1. Initial amount	**930**	**1,110**
2. Increases	**1,165**	**1,117**
2.1 Deferred tax liabilities recognised in the period	27	381
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*27*	*381*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	1,135	736
2.4 Business combinations	3	-
3. Decreases	**-1,703**	**-1,297**
3.1 Deferred tax liabilities eliminated in the period	-1,174	-196
a) reversals	*-1,174*	*-196*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-511	-1,101
3.4 Business combinations	-18	-
4. Final amount	**392**	**930**

Other increases refer to the write-off of netting against deferred tax assets performed as at 31 December 2008 for 1,085 million euro.
Other decreases as at 31 December 2009 refer to the netting of deferred tax assets for the year of 494 million euro.
The subcaption "Business combinations" as at 31 December 2009 refers to deferred tax liabilities transferred to Group companies as part of the geographical reorganisation project of the Banca dei Territori Division and of other extraordinary transactions that took place during the year.

Exercise of the option pursuant to art. 15, par. 10, Law Decree 185/08, converted to Law 2/09
In 2009, pursuant to the above regulation, redemptions were carried out with respect to the values of intangible assets with a finite useful life and of the brand name registered following the Intesa and Sanpaolo IMI merger, for a value of 3,229 million euro, against which deferred tax liabilities of 1,028 million euro were recognised.
Redemption of the aforementioned intangibles resulted in use of the pre-established allowance for deferred tax liabilities, with subsequent payment to the tax authority of 517 million euro and recognition in the income statement of the 511 million euro difference.

Redemption of the Employee Termination Indemnities
During 2009, the company also took advantage of the possibility to recognise the lower value of Employee Termination Indemnities, calculated in accordance with the international accounting standards, compared to tax values, by paying a substitute tax of IRES and IRAP at a lower rate (between 12% and 16%).
Since deferred tax liabilities of 37 million euro at ordinary rates were recorded for the higher tax value of the Employee Termination Indemnities, payment of the substitute tax of 22 million euro to the tax authority resulted in a 15 million euro benefit to the 2009 income statement.

13.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2009	31.12.2008
1. Initial amount	**181**	**3**
2. Increases	**40**	**181**
2.1 Deferred tax assets recognised in the period	20	181
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*20*	*181*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	20	-
2.4 Business combinations	-	-
3. Decreases	**-62**	**-3**
3.1 Deferred tax assets eliminated in the period	-10	-3
a) reversals	-	*-3*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	*-10*	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-52	-
3.4 Business combinations	-	-
4. Final amount	**159**	**181**

13.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2009	31.12.2008
1. Initial amount	**18**	**101**
2. Increases	**60**	**-**
2.1 Deferred tax liabilities recognised in the period	1	-
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*1*	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	59	-
2.4 Business combinations	-	-
3. Decreases	**-34**	**-83**
3.1 Deferred tax liabilities eliminated in the period	-2	-83
a) reversals	*-1*	-
b) due to changes in accounting criteria	-	-
c) other	*-1*	*-83*
3.2 Tax rate reductions	-	-
3.3 Other decreases	-32	-
3.4 Business combinations	-	-
4. Final amount	**44**	**18**

13.7 Other information

There is no other information to be provided in addition to that already contained in this Section.

SECTION 14 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

14.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

	31.12.2009	31.12.2008
A. Non-current assets held for sale		
A.1 Financial assets	-	-
A.1 Equity investments	529	55
A.2 Property and equipment	-	1
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	**529**	**56**
B. Discontinued operations		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Investments held to maturity	-	-
B.5 Due from banks	5,151	69
B.6 Loans to customers	437	224
B.7 Equity investments	-	-
B.8 Property and equipment	-	-
B.9 Intangible assets	159	-
B.10 Other	174	4
Total B	**5,921**	**297**
C. Liabilities associated with non-current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-	-
Total C	**-**	**-**
D. Liabilities associated with discontinued operations		
D.1 Due to banks	445	-
D.2 Due to customers	4,987	283
D.3 Securities issued	-	8
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Allowances	1	6
D.7 Other	288	-
Total D	**5,721**	**297**

Equity investments refer to stakes held in Intesa Sanpaolo Servizi Transazionali S.p.A. for 330 million euro and in Sanpaolo Bank S.A. for 199 million euro.

14.2 Other information

There is no information further to that already indicated in the previous table.

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

Non-current assets held for sale and discontinued operations do not include companies subject to significant influence not carried at equity.

SECTION 15 – OTHER ASSETS – CAPTION 150

15.1 Other assets: breakdown

(millions of euro)

	TOTAL
Amounts to be debited - under processing	1,713
Amounts to be debited - deriving from securities transactions	131
Bank cheques drawn on third parties to be settled	-
Transit items	931
Checks and other instruments held	7
Leasehold improvements	49
Due from Group companies on fiscal consolidation	892
Other	3,937
TOTAL 31.12.2009	**7,660**
TOTAL 31.12.2008	**6,582**

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2009	31.12.2008
1. Due to Central Banks	**7,732**	**9,247**
2. Due to banks	**85,428**	**78,442**
2.1 Current accounts and deposits	11,648	8,335
2,2 Time deposits	65,005	61,557
2.3 Loans	8,739	8,550
2.3.1 Repurchase agreements	*5,839*	*5,509*
2.3.2 Other	*2,900*	*3,041*
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Other debts	36	-
TOTAL	**93,160**	**87,689**
Fair value	**93,126**	**87,489**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Reverse repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section C.2.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. As at 31 December 2009 Intesa Sanpaolo had no subordinated debts to banks.

1.3 Breakdown of caption 10 Due to banks: structured debts

As at 31 December 2009 Intesa Sanpaolo has structured debts totalling 27 million euro.

1.4 Due to banks with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Due to banks with specific fair value hedges	**3,267**	**3,731**
a) Interest rate risk	3,068	3,263
b) Foreign exchange risk	-	-
c) Various risks	199	468
2. Due to banks with specific cash flow hedges	**45**	**96**
a) Interest rate risk	45	96
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**3,312**	**3,827**

1.5 Financial lease payables

Intesa Sanpaolo has no financial leases with banks.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2009	31.12.2008
1. Current accounts and deposits	82,961	95,423
2. Time deposits	19,788	21,895
3. Loans	9,480	11,740
3.1 Repurchase agreements	*4,230*	*6,547*
3.2 Other	*5,250*	*5,193*
4. Debts for commitments to repurchase own equity instruments	-	-
5. Other debts	714	1,293
TOTAL	**112,943**	**130,351**
Fair value	**112,943**	**130,351**

Reverse repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
Loans - other includes 2,033 million euro regarding the exposure on the sale of loans related to the Sec 3 securitisation. For additional details, see Part E – Section C of the Notes.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included under Due to customers totalled 1,595 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2009 Intesa Sanpaolo had no structured debts to customers.

2.4 Due to customers with specific hedges

(millions of euro)

	31.12.2009	31.12.2008
1. Due to banks with specific fair value hedges	**1,595**	**1,614**
a) Interest rate risk	1,595	1,614
b) Foreign exchange risk	-	-
c) Various risks	-	-
2. Due to banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**1,595**	**1,614**

2.5 Financial lease payables

2.5.1 Financial lease payables: breakdown by time interval

(millions of euro)

	31.12.2009	31.12.2008
Finance lease payables		
a) within 1 year	-	2
b) between 2 and 5 years	2	2
c) over 5 years	5	5
TOTAL	**7**	**9**

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2009				31.12.2008			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	119,296	41,311	77,537	-	105,173	23,762	77,448	-
1.1 structured	*15,880*	-	*15,855*	-	*15,267*	-	*14,729*	-
1.2 other	*103,416*	*41,311*	*61,682*	-	*89,906*	*23,762*	*62,719*	-
2. other	18,217	-	18,217	-	25,324	-	25,324	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*18,217*	-	*18,217*	-	*25,324*	-	*25,324*	-
TOTAL	**137,513**	**41,311**	**95,754**	**-**	**130,497**	**23,762**	**102,772**	**-**

Embedded derivatives that have satisfied the conditions set forth by IAS 39 as at their issue date for separation from the host contract as at 31 December 2009 have a negative fair value of 737 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. Securities issued includes subordinated securities amounting to 20,656 million euro.

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

(millions of euro)

	31.12.2009	31.12.2008
1. Securities with specific fair value hedges	**82,317**	**57,102**
a) Interest rate risk	79,760	53,844
b) Foreign exchange risk	-	-
c) Various risks	2,557	3,258
2. Securities with specific cash flow hedges	**-**	**104**
a) Interest rate risk	-	104
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**82,317**	**57,206**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2009					31.12.2008				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	89	94	-	-	-	5	6	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	89	94	-	-	-	5	6	-	-	-
B. DERIVATIVES										
1. Financial derivatives	X	-	9,570	-	X	X	-	12,679	-	X
1.1 Trading	X	-	8,678	-	X	X	-	11,834	-	X
1.2 Fair value option	X	-	12	-	X	X	-	59	-	X
1.3 Other	X	-	880	-	X	X	-	786	-	X
2. Credit derivatives	X	-	341	458	X	X	-	2,325	903	X
2.1 Trading	X	-	341	458	X	X	-	2,325	903	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	9,911	458	X	X	-	15,004	903	X
TOTAL (A+B)	X	94	9,911	458	X	X	6	15,004	903	X

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

The caption A.2 Due to customers consists entirely of short selling.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities held for trading.

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

Intesa Sanpaolo has no structured debts classified under Financial liabilities held for trading.

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

Financial cash liabilities held for trading is exclusively made up of short positions.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

Caption not applicable to Intesa Sanpaolo.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

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

(millions of euro)

	Fair value 31.12.2009			Notional value	Fair value 31.12.2008			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**2,127**	**-**	**44,810**	**-**	**2,536**	**-**	**54,141**
1. Fair value	-	1,598	-	40,519	-	2,075	-	49,952
2. Cash flows	-	529	-	4,291	-	461	-	4,189
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**2,127**	**-**	**44,810**	**-**	**2,536**	**-**	**54,141**

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	Fair value						Cash flow		Foreign investm.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans	444	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	29	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**444**	**-**	**-**	**-**	**-**	**29**	**-**	**-**	**-**
1. Financial liabilities	500	-	-	X	481	X	4	X	X
2. Portfolio	X	X	X	X	X	144	X	525	X
Total liabilities	**500**	**-**	**-**	**-**	**481**	**144**	**4**	**525**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans are also present. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 70

7.1. Fair value change of financial liabilities in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2009	31.12.2008
1. Positive fair value change of financial liabilities	1,275	1,058
2. Negative fair value change of financial liabilities	-109	-
TOTAL	**1,166**	**1,058**

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

(millions of euro)

	31.12.2009	31.12.2008
1. Debts	-	-
2. Portfolio	26,263	32,852
TOTAL	**26,263**	**32,852**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Bank adopted the abovementioned macrohedging only for the hedging of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 13 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on liabilities associated with non-current assets held for sale and discontinued operations, see Section 14 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(millions of euro)

	31.12.2009
Due to suppliers	547
Amounts due to third parties	2,546
Transit items	135
Adjustments for portfolio items to be settled	44
Amounts to be credited and items under processing	1,653
Personnel charges	591
Due to social security entities	63
Guarantees given and commitments	270
Due to Group companies on fiscal consolidation	9
Due to tax authorities	115
Other	1,752
TOTAL 31.12.2009	**7,725**
TOTAL 31.12.2008	**9,936**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2009	31.12.2008
A. Initial amount	**861**	**1,016**
B. Increases	**129**	**81**
B.1 Provisions in the year	30	44
B.2 Other	99	37
of which business combinations	*41*	-
C. Decreases	**-388**	**-236**
C.1 Benefits paid	-77	-105
C.2 Other	-311	-131
of which business combinations	*-257*	*-71*
D. Final amount	**602**	**861**

C.1 refers to benefits paid as at 31 December 2009.
2009 figures relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 606 million euro at the end of 2009, while at the end of 2008 it amounted to 848 million euro.
Actuarial losses not recognised in the income statement, in application of the "corridor approach", totalled 4 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2009	31.12.2008
1. Post employment benefits	**264**	**296**
2. Other allowances for risks and charges	**1,471**	**2,095**
2.1 Legal disputes	666	722
2.2 Personnel charges	236	708
2.3 Other	569	665
TOTAL	**1,735**	**2,391**

The contents of 2. Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	Post employment benefits	Other allowances	Total
A. Initial amount	**296**	**2,095**	**2,391**
B. Increases	**40**	**294**	**334**
B.1 Provisions in the year	18	175	193
B.2 Time value changes	12	36	48
B.3 Changes due to discount rate variations	-	15	15
B.4 Other	10	68	78
of which business combinations	-	-	-
C. Decreases	**-72**	**-918**	**-990**
C.1 Uses in the year	-61	-388	-449
C.2 Changes due to discount rate variations	-	-	-
C.3 Other	-11	-530	-541
of which business combinations	-10	-108	-118
D. Final amount	**264**	**1,471**	**1,735**

The decrease in Other allowances includes transfer to other liabilities of the certain portion of charges recorded for incentive-driven exit plans.
The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved wholly-owned entities.

12.3 Post employment defined benefit plans

1. Illustration of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is jointly responsible, can be distinguished in:
– internal supplementary pension funds;
– external supplementary pension funds.

Internal funds include:
– supplementary pension fund for tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
– supplementary pension fund for employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider whether or not the employee accumulated 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trades Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trades Unions also provides for a process – still to be activated – destined for proposal to pensioners, exceptionally involving one-off payments to liquidate their pension position;
– supplementary pension fund for the top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of the top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale

obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation;

– three defined benefit plans in force at the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
– a defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service.

External funds include:

– supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status and full economic independence and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "Cassa" to beneficiaries, pensioners and third parties;
– complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the fund's commitments to employees enrolled in the plan and other beneficiaries from the former Banco di Napoli; to retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; to the employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary Pension Fund for Employees of that bank, transferred to the Complementary Pension Fund for the Employees of Banco di Napoli in 2004; the current and retired employees of Banca Popolare dell'Adriatico, formerly enrolled in the Company Pension Fund for employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30 June 2006; and retired employees enrolled in the former Carive internal fund, transferred to the Fund in question on 1 January 2008;
– pension fund for employees of former Crediop hired before 30 September 1989: this is a fund with legal status and full economic independence. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "fund" with its employees in service and retired, transferred from former Crediop;
– pension fund for the employees of Cariplo: this is a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998. Intesa Sanpaolo S.p.A. is jointly responsible for commitments of the Fund – Section I.

2. Changes in the year of the funds

(millions of euro)

Defined benefit obligations	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**848**	**140**	**2,585**	**1,018**	**312**	**2,542**
Current service costs	-	1	18	-	2	18
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	30	8	123	44	7	122
Recognised actuarial losses	-	-	18	-	-	5
Unrecognised actuarial losses	18	17	91	7	8	11
Positive exchange differences	-	3	-	-	1	-
Increases - business combinations	41	-	-	-	-	-
Participants' contributions	-	-	-	-	4	-
Recognised actuarial gains	-	-	-	-	-5	-6
Unrecognised actuarial gains	-	-	-	-	-14	-15
Negative exchange differences	-	-	-	-	-17	-
Benefits paid	-77	-9	-237	-105	-13	-185
Decreases - business combinations	-257	-	-	-71	-	-
Curtailments of the fund	-	-	-	-	-	-
Settlements of the fund	-	-	-	-	-145	-
Other increases	57	-	-	20	-	93
Other decreases	-54	-	-	-65	-	-
Final amount	**606**	**160**	**2,598**	**848**	**140**	**2,585**
Total unrecognised actuarial gains	**-**	**-**	**-**	**-**	**-14**	**-15**
Total unrecognised actuarial losses	**18**	**17**	**91**	**7**	**8**	**11**

Liabilities of the defined benefit obligations pension plan	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	606	50	-	848	50	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	110	2,598	-	90	2,585

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans:
- 30 million euro referred to the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 35 million euro referred to the Supplementary pension fund for top management of Banca Commerciale Italiana, entirely contributed by Intesa Sanpaolo S.p.A.;
- 14 million euro referred to the Supplementary pension fund for employees of Mediocredito Lombardo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 67 million euro referred to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.;
- 14 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.

External plans:
- 1,118 million euro referred to the Pension fund "Cassa di Previdenza" for employees of Istituto Bancario San Paolo di Torino (970 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 584 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli (421 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 34 million euro referred to Pension fund for employees of former Crediop hired before 30 September 1989; entirely contributed by Intesa Sanpaolo S.p.A.;
- 862 million euro referred to Pension fund for employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.

3. Changes in the year of plan assets and other information

(millions of euro)

Plan assets	31.12.2009		31.12.2008	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**81**	**2,411**	**240**	**2,524**
Expected return	5	114	6	122
Recognised actuarial losses	-	-2	-	-20
Unrecognised actuarial losses	-1	-13	-15	-151
Positive exchange differences	3	-	1	-
Increases- business combinations	-	-	-	-
Employer contributions	2	1	3	-
Participants' contributions	-	-	-	-
Recognised actuarial gains	-	4	-	-
Unrecognised actuarial gains	7	51	-	-
Negative exchange differences	-	-	-15	-
Decreases - business combinations	-	-	-	-
Benefits paid	-5	-237	-4	-185
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-135	-
Other changes	1	81	-	121
Final amount	**93**	**2,410**	**81**	**2,411**
Total unrecognised actuarial gains	**7**	**51**	**-**	**-**
Total unrecognised actuarial losses	**-1**	**-13**	**-15**	**-151**

The final amount of internal plans was composed as follows:
– 27 million euro referred to Supplementary pension fund for tax-collection personnel formerly employed by Cariplo;
– 51 million euro referred to defined benefit plans at the London branch;
– 15 million euro referred to defined benefit plans at the New York branch.

The final amount of external plans was made as follows:
– 908 million euro referred to the Pension Fund (Cassa di Previdenza) for employees of the Istituto Bancario San Paolo di Torino;
– 575 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli;
– 34 million euro referred to the Pension fund for employees of former Crediop hired before 30 September 1989;
– 893 million euro referred to the Pension fund for employees of Cariplo.

(millions of euro)

	31.12.2009				31.12.2008			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and equity funds	38	40.9	341	14.1	24	29.6	227	9.4
Debt securities and bond investment funds	26	28.0	1,454	60.3	26	32.1	1,411	58.5
Real estate assets and equity shareholdings in real estate companies	3	3.2	469	19.5	2	2.5	481	20.0
Insurance activities	15	16.1	-	-	15	18.5	89	3.7
Other assets	11	11.8	146	6.1	14	17.3	203	8.4
TOTAL	**93**	**100.0**	**2,410**	**100.0**	**81**	**100.0**	**2,411**	**100.0**

4. Reconciliation of present value of the defined benefit obligation, present value of plan assets and assets and liabilities recognised in the balance sheet

(millions of euro)

	31.12.2009			31.12.2008		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	606	160	2,598	848	140	2,585
2. Fair value of the plan assets	-	-93	-2,410	-	-81	-2,411
A. Fund status	**606**	**67**	**188**	**848**	**59**	**174**
1. Unrecognised actuarial gains (sum of cumulated gains)	-	1	1	20	32	104
2. Unrecognised actuarial losses (sum of cumulated losses)	-4	-9	-107	-7	-25	-186
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	113	-	-	100
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**-4**	**-8**	**7**	**13**	**7**	**18**
Recognised assets	**-**	**27**	**-**	**-**	**29**	**-**
Recognised liabilities	**602**	**90**	**195**	**861**	**95**	**192**

With regard to Employee termination indemnities, Recognised liabilities do not include amounts referring to employees of the "Securities Services" business, subject to disposal, reclassified to a specific caption in accordance with IFRS 5.

In internal funds, both assets and liabilities are recorded in the financial statements of the Bank which stipulated the agreements which regulate the Funds, with the exception of actuarial gains/losses which are divided between the Banks jointly responsible. The portions of liabilities posted by Intesa Sanpaolo S.p.A. totalled:
- 27 million euro referred to the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo;
- 35 million euro referred to the Supplementary pension fund for top management of Banca Commerciale Italiana;
- 15 million euro referred to the Supplementary pension fund for employees of Mediocredito Lombardo;
- 11 million euro referred to defined benefit plans at the London branch;
- 2 million euro referred to defined benefit plans at the New York branch.

Concerning external funds, the portions of liabilities posted by Intesa Sanpaolo totalled:
- 154 million euro referred to the Pension Fund (Cassa di Previdenza) for employees of the Istituto Bancario San Paolo di Torino;
- 12 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli;
- 2 million euro referred to the Pension fund for employees of former Crediop hired before 30 September 1989.

For the Pension fund for employees of Cariplo, no liability is recorded since plan assets exceed the liability to beneficiaries.
In addition to the liabilities described above, additional provisions amounting to 6 million euro were made to cover liquidation forecasts or to settle the technical imbalance of several minor funds.

5. Description of the main actuarial assumptions

Actuarial assumptions	31.12.2009				31.12.2008			
	Discount rate	Expected yield rates	Expected increase in salaries (a)	Annual inflation rate	Discount rate	Expected yield rates	Expected increase in salaries	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	4.0%	X	3.5%	2.0%	4.4%	X	3.0%	2.0%
INTERNAL PLANS	4.8%	5.3%	3.8%	2.4%	5.1%	5.5%	3.4%	2.2%
EXTERNAL PLANS	4.6%	4.8%	1.5%	2.0%	4.8%	4.9%	1.5%	2.0%

[a] Net of career developments.

12.4 Allowances for risks and charges – Other allowances

(millions of euro)

	31.12.2009	31.12.2008
2. Other allowances		
2.1 legal disputes	666	722
2.2 personnel charges	236	708
incentive-driven exit plans	*150*	*537*
employee seniority bonuses	*77*	*112*
other personnel expenses	*9*	*59*
2.3 other risks and charges	569	665
customers' complaints on Cirio, Argentina and Parmalat placements	*8*	*30*
other	*561*	*635*
TOTAL	**1,471**	**2,095**

Other allowances refers to:
- Legal disputes: the allowance was set up mainly to cover expected outlay for litigation and other revocatory action;
- Personnel charges: the allowance includes charges for employee seniority bonuses, calculated on the basis of actuarial assumptions, exit incentive charges and other charges;
- Other risks and charges: these refer to provisions to cover tax litigations, frauds, guarantees provided in favour of Equitalia S.p.A. for the sale of an equity investment in a Company which performed tax collection activities, charges related to activation of the conciliation commissions on Parmalat bonds and other litigation charges.

SECTION 13 – REDEEMABLE SHARES – CAPTION 140

Caption not applicable to Intesa Sanpaolo.

SECTION 14 – PARENT COMPANY'S SHAREHOLDERS' EQUITY – CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

14.1 Share capital and Treasury shares: breakdown

For information of this section, see point 14.3 below.

14.2 Share capital – Parent company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-**	**-**
A.2 Shares outstanding: initial number	**11,849,332,367**	**932,490,561**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration	-	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other	-	-
C. Decreases	**-76,327**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other	-76,327	-
D. Shares outstanding: final number	**11,849,256,040**	**932,490,561**
D.1 Treasury shares (+)	76,327	-
D.2 Final number of shares	11,849,332,367	932,490,561
- fully paid-in	11,849,332,367	932,490,561
- not paid-in	-	-

14.3 Share capital: other information

The share capital of the Bank as at 31 December 2009 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Savings shares, which may be in bearer form, bestow the power to intervene and vote in the Special Meeting of savings shares holders.

Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

At the date of these financial statements the share capital was fully paid-in and liberated.

Entries made in accordance with IFRS 3 regarding the merger between Banca Intesa and SANPAOLO IMI generated a reserve of 31,093 million euro, equal to the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued to service the exchange.

In the 2007 financial statements it was reported under share premium reserve, based on the opinions expressed by legal experts.
This reserve will be reported differently should the Law or Supervisory Authorities indicate a different solution.

14.4 Reserves from retained earnings: other information

Reserves amounted to 5,038 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3, and Law 218 of 30 July 1990, par. 7) and other reserves.
The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.
Concentration reserves pursuant to Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Valuation reserves amounted to 986 million euro and included valuation reserves of financial assets available for sale and of cash flow hedge derivatives, as well as legally-required revaluations.

(millions of euro)

	Amount as at 31.12.2009	Principal	Portion of net income	Portion of net income subject to a suspended tax regime (a)	Portion available (b)	Uses in the past three years
Shareholders' equity						
– Share capital	6,647	4,281	1,375	991	-	
– Share premium reserve (c)	33,271	5,727	27,032	512	A, B, C -	3,195
– Legal reserve	1,329	85	1,244		A(1), B	
– Extraordinary reserve	2,914		2,914		A, B, C	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	232			232	A, B(2), C(3)	
– Concentration reserve (Law 218 of 30/7/1990, par. 7)	302			302	A, B(2), C(3)	
– Legal Reserve Branches Abroad	15	15			A, B, C	
– Reserve for stock option plans	13		13		A	
– Merger goodwill Banca Intesa France	7		7		A, B, C	
– Oper. reserve under common control	185		185		A, B, C	
– Tax rate revision reserve on FTA real estate	25		25		A, B	
– Other reserves	16		14	2	A, B, C	-
Valuation reserves						
– Valuation reserve (Law 576 of 2/12/1975)	3			3	A, B(2), C(3)	
– Valuation reserve (Law 72 of 19/3/1983)	143			143	A, B(2), C(3)	
– Valuation reserve (Law 408 of 29/12/1990)	7			7	A, B(2), C(3)	
– Valuation reserve (Law 413 of 30/12/1991)	379			379	A, B(2), C(3)	
– Valuation reserve (Law 342 of 22/11/2000)	455			455	A, B(2), C(3)	
– AFS valuation reserve	331		331		(4)	
– CFH valuation reserve	-332		-332		(4)	
– Treasury shares	-				-	
Total Capital and Reserves	**45,942**	**10,108**	**32,808**	**3,026**	**-**	
Non-distributable portion (d)	32,700					

(a) Restricted reserves for tax purposes pursuant to art. 109, par. 4 of the Combined Tax Regulations as amended by Legislative Decree 247/2005 amount to 189 million.

(b) A = capital increase; B = loss coverage; C = distribution to shareholders.

(c) Before there is a legislative clarification, the reserve is considered non-distributable for the portion of 31,093 million euro originated by the merger with Sanpaolo IMI

(d) In accordance with art. 16, par. 1 of Legislative Decree 87/92, the non-distributable portion refers to revaluation reserves, share premium reserve for 31,093 million euro (merger reserve) and valuation reserves, which can be decreased only in compliance with the provisions of art. 2445 of the Italian Civil Code, as well as a share of net income for 49 million euro corresponding to capital gains recognised in the income statement, net of the related tax charge, arising from application of the fair value criterion, pursuant to art 6, par. 1, letter a) of Legislative Decree 38/2005.

(1) May be used to increase capital (A) for the portion exceeding one fifth of the share capital.

(2) In case of use of the reserve to cover losses, net income may not be distributed unless the reserve is integrated or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of par. 2 and 3 of art. 2445 of the Italian Civil Code. If it is distributed to shareholders it concurs to form the Company's taxable income.

(4) The reserve is unavailable pursuant to art. 6 of Legislative Decree 38/2005.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, i.e. reserves essentially similar to retained earnings reserves.

14.5 Equity instruments: breakdown and annual changes

Caption not applicable to Intesa Sanpaolo.

14.6 Other information

There is no other information to be provided in addition to that already contained in this Section.

OTHER INFORMATION

1. Guarantees and commitments

(millions of euro)

	31.12.2009	31.12.2008
1) Financial guarantees given	**43,408**	**46,048**
a) Banks	16,738	24,506
b) Customers	26,670	21,542
2) Commercial guarantees given	**27,128**	**30,347**
a) Banks	3,670	3,789
b) Customers	23,458	26,558
3) Irrevocable commitments to lend funds	**28,418**	**32,520**
a) Banks	2,972	6,928
- of certain use	*599*	*4,216*
- of uncertain use	*2,373*	*2,712*
b) Customers	25,446	25,592
- of certain use	*755*	*240*
- of uncertain use	*24,691*	*25,352*
4) Underlying commitments on credit derivatives: protection sales	**16,602**	**29,961**
5) Assets pledged as collateral of third party commitments	**1**	**4**
6) Other commitments	**529**	**1,536**
TOTAL	**116,086**	**140,416**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2009	31.12.2008
1. Financial assets held for trading	1,762	1,178
2. Financial assets designated at fair value through profit and loss	-	10
3. Financial assets available for sale	3,964	4,546
4. Investments held to maturity	204	822
5. Due from banks	232	2,944
6. Loans to customers	1,500	190
7. Property and equipment	163	198
TOTAL	**7,825**	**9,888**

3. Information on operating leases

The costs recorded during the year for motor vehicles include potential lease payments of 2 million euro.

Minimum lease payments for motor vehicles and electronic equipment due by 31 December 2010 totalled 4 million euro, while those due from 1 January 2011 to all of 2014 amounted to 4 million euro.

4. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2009	31.12.2008
1. Trading on behalf of customers		
a) Purchases	599	1,720
1. settled	*599*	*1,720*
2. to be settled	-	-
b) Sales	619	2,115
1. settled	*619*	*2,115*
2. to be settled	-	-
2. Portfolio management		
a) individual	165	157
b) collective	-	-
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	59,126	57,273
1. securities issued by the reporting bank	*624*	*184*
2. other securities	*58,502*	*57,089*
b) third party securities held in deposit (excluding portfolio management): other	628,015	587,775
1. securities issued by the reporting bank	*117,051*	*57,517*
2. other securities	*510,964*	*530,258*
c) third party securities deposited with third parties	663,477	607,859
d) portfolio securities deposited with third parties	51,504	33,232
4. Other	**54,591**	**81,554**

Caption 3. Custody and administration of securities also includes third party securities held in deposit for transactions referring to the Securities Services business line, the disposal of which is envisaged during the first half of 2010.

Part C – Information on the Parent Company's income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1 Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2009	2008
1. Financial assets held for trading	359	-	-	359	488
2. Financial assets designated at fair value through profit and loss	9	-	-	9	11
3. Financial assets available for sale	345	8	-	353	161
4. Investments held to maturity	35	-	-	35	96
5. Due from banks	224	1,601	-	1,825	4,751
6. Loans to customers	186	6,042	30	6,258	11,484
7. Hedging derivatives	X	X	1,752	1,752	-
8. Other assets	X	X	15	15	66
TOTAL	**1,158**	**7,651**	**1,797**	**10,606**	**17,057**

Interest and similar income also includes interest income on securities relating to repurchase agreements.

1.2. Interest and similar income: differentials on hedging transactions

(millions of euro)

	2009	2008
A. Positive differentials on hedging transactions	3,657	5,497
B. Negative differentials on hedging transactions	-1,905	-6,138
BALANCE (A - B)	**1,752**	**-641**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

As at 31 December 2009, interest income on foreign currency financial assets amounted to 629 million euro.

1.3.2 Interest income on financial lease receivables

No interest income on financial lease receivables was recorded.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2009	2008
1. Due to Central Banks	22	X	-	22	91
2. Due to banks	2,053	X	10	2,063	3,785
3. Due to customers	698	X	1	699	2,629
4. Securities issued	X	4,352	-	4,352	5,129
5. Financial liabilities held for trading	-	-	-	-	4
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	-1	-1	1
8. Hedging derivatives	X	X	-	-	641
TOTAL	**2,773**	**4,352**	**10**	**7,135**	**12,280**

1. Due to banks and 2. Due to customers also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is given in Table 1.2, since the balance is included under interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2009 included 703 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

The amount of interest expense on financial lease payables as at 31 December 2009 was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2009	2008
A) Guarantees given	**253**	**227**
B) Credit derivatives	**-**	**1**
C) Management, dealing and consultancy services	**962**	**1,425**
1. trading in financial instruments	6	6
2. currency dealing	35	52
3. portfolio management	-	112
3.1. individual	-	*4*
3.2. collective	-	*108*
4. custody and administration of securities	51	47
5. depositary bank	-	-
6. placement of securities	392	633
7. reception and transmission of orders	75	83
8. consultancy services	3	2
8.1. on investments	-	-
8.2. on financial structure	3	2
9. distribution of third party services	400	490
9.1. portfolio management	*40*	*101*
9.1.1. individual	*40*	*98*
9.1.2. collective	-	*3*
9.2. insurance products	*302*	*339*
9.3. other products	*58*	*50*
D) Collection and payment services	**154**	**186**
E) Servicing related to securitisations	**10**	**7**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**
I) Management of current accounts	**407**	**472**
J) Other services	**620**	**681**
TOTAL	**2,406**	**2,999**

J) Other services mostly recorded fees on credit and debit cards of 210 million euro, commissions on medium-/long-term loans of 208 million euro and commissions on short-term loans of 126 million euro.

2.2 Fee and commission income: distribution channels of products and services

(millions of euro)

	2009	2008
A) Group branches	**792**	**1,123**
1. portfolio management	-	-
2. placement of securities	392	633
3. third party services and products	400	490
B) "Door-to-door" sales	**-**	**112**
1. portfolio management	-	112
2. placement of securities	-	-
3. third party services and products	-	-
C) Other distribution channels	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(millions of euro)

	2009	2008
A) Guarantees received	**41**	**41**
B) Credit derivatives	**9**	**3**
C) Management, dealing and consultancy services	**31**	**80**
1. trading in financial instruments	8	9
2. currency dealing	2	2
3. portfolio management:	-	38
3.1 own portfolio	-	*38*
3.2 third party portfolio	-	-
4. custody and administration of securities	21	31
5. placement of financial instruments	-	-
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**57**	**72**
E) Other services	**149**	**163**
TOTAL	**287**	**359**

E) Other services includes 88 million euro fees on credit and debit cards, 29 million euro intermediation on other banking operations and 27 million euro services rendered by resident banks.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2009		2008	
	Dividends	Income from quotas of UCI	Dividends	Income from quotas of UCI
A. Financial assets held for trading	-	-	2	-
B. Financial assets available for sale	30	-	65	1
C. Financial assets designated at fair value through profit and loss	-	-	-	-
D. Equity investments	1,349	X	1,184	X
TOTAL	**1,379**	**-**	**1,251**	**1**

D – Equity investments includes the dividends distributed by:
- Banco di Napoli S.p.A. for 285 million euro;
- Cassa di Risparmio di Venezia S.p.A. for 149 million euro;
- Cassa di Risparmio del Veneto S.p.A. for 140 million euro;
- Banca IMI S.p.A. for 132 million euro;
- Eurizon Capital SGR S.p.A. for 124 million euro;
- Banca Fideuram S.p.A. for 96 million euro;
- Cassa di Risparmio di Bologna S.p.A. for 62 million euro;
- Cassa di Risparmio di Firenze S.p.A. for 58 million euro;
- Intesa Sanpaolo Private Banking S.p.A. for 51 million euro;
- Cassa di Risparmio del Friuli Venezia Giulia S.p.A. for 46 million euro;
- Penghua Fund Management Co. Ltd. for 28 million euro;
- Banca dell'Adriatico S.p.A. for 26 million euro;
- Mediofactoring S.p.A. for 25 million euro;
- Other equity investments for 125 million euro.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**313**	**219**	**-92**	**-50**	**390**
1.1 Debt securities	164	178	-57	-40	245
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	149	41	-35	-10	145
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**41**
4. Derivatives	**6,557**	**8,652**	**-6,407**	**-9,191**	**-250**
4.1 Financial derivatives	3,886	7,818	-4,054	-7,898	-109
- On debt securities and interest rates	*3,706*	*7,605*	*-3,833*	*-7,696*	*-218*
- On equities and stock indexes	*166*	*119*	*-207*	*-108*	*-30*
- On currencies and gold	*X*	*X*	*X*	*X*	*139*
- Other	*14*	*94*	*-14*	*-94*	*-*
4.2 Credit derivatives	2,671	834	-2,353	-1,293	-141
TOTAL	**6,870**	**8,871**	**-6,499**	**-9,241**	**181**

Net result includes profits, losses, revaluations and write-downs on currency and gold derivatives.

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

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2009	2008
A. Income from:		
A.1 fair value hedge derivatives	1,142	5,055
A.2 financial assets hedged (fair value)	592	663
A.3 financial liabilities hedged (fair value)	3,581	75
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	-	-
Total income from hedging (A)	**5,315**	**5,793**
B. Expenses for:		
B.1 fair value hedge derivatives	-868	-2,226
B.2 financial assets hedged (fair value)	-581	-11
B.3 financial liabilities hedged (fair value)	-3,846	-3,649
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
Total expense from hedging (B)	**-5,295**	**-5,886**
C. Fair value adjustments in hedge accounting (A - B)	**20**	**-93**

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

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2009			2008		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	1	-	1
2. Loans to customers	20	-16	4	21	-21	-
3. Financial assets available for sale	39	-4	35	101	-3	98
3.1 Debt securities	*1*	*-1*	*-*	*1*	*-3*	*-2*
3.2 Equities	*38*	*-3*	*35*	*97*	*-*	*97*
3.3 Quotas of UCI	*-*	*-*	*-*	*3*	*-*	*3*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**59**	**-20**	**39**	**123**	**-24**	**99**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	12	-1	11	14	-2	12
Total liabilities	**12**	**-1**	**11**	**14**	**-2**	**12**

Profits on disposal of equities classified as financial assets available for sale include the results of the sale of:
- Banca Generali S.p.A. for 28 million euro;
- Lch. Clearnet Group Ltd. for 3 million euro;
- Mastercard Inc. for 2 million euro;
- other minority interests for 5 million euro.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**29**	**1**	**-22**	**-**	**8**
1.1 Debt securities	-	1	-22	-	-21
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	29	-	-	-	29
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**42**	**-**	**-1**	**-**	**41**
TOTAL	**71**	**1**	**-23**	**-**	**49**

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-4	-10	-	1	-	-	-13	-10
- Loans	-	*-4*	*-10*	-	*1*	-	-	*-13*	*-10*
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	-103	-1,512	-25	104	329	-	13	-1,194	-1,025
- Loans	*-103*	*-1,512*	*-17*	*104*	*329*	-	*13*	*-1,186*	*-1,025*
- Debt securities	-	-	*-8*	-	-	-	-	*-8*	-
C. Total	**-103**	**-1,516**	**-35**	**104**	**330**	**-**	**13**	**-1,207**	**-1,035**

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

(millions of euro)

	Impairment losses		Recoveries		2009	2008
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-1	-	-	-1	-10
B. Equities	-	-67	X	X	-67	-314
C. Quotas of UCI	-	-	X	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-68**	**-**	**-**	**-68**	**-324**

The valuation of financial assets available for sale led to impairment losses in 2009 mostly referred to:
- Parmalat S.p.A. for 41 million euro;
- Milano Assicurazioni S.p.A. for 18 million euro;
- Edison S.p.A. for 4 million euro;
- Centro Agroalimentare di Napoli S.c.p.A. for 2 million euro;
- other minority interests for 2 million euro.

8.3 Net impairment losses on investments held to maturity: breakdown

As at 31 December 2009, Intesa Sanpaolo did not record any impairment losses on investments held to maturity.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	Impairment losses			Recoveries				2009	2008
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-21	-17	-	-	-	-	-38	52
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-	-
D. Other operations	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-21**	**-17**	**-**	**-**	**-**	**-**	**-38**	**52**

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

9.1 Personnel expenses: breakdown

(millions of euro)

	2009	2008
1) Personnel employed	**2,436**	**3,483**
a) wages and salaries	1,667	2,175
b) social security charges	441	568
c) termination indemnities	68	88
d) supplementary benefits	-	-
e) provisions for termination indemnities	30	44
f) provisions for post employment benefits:	30	53
- defined contribution plans	-	-
- defined benefit plans	*30*	*53*
g) payments to external pension funds:	102	137
- defined contribution plans	*101*	*136*
- defined benefit plans	*1*	*1*
h) costs from share-based payments	-	-28
i) other benefits in favour of employees	98	446
2) Other non-retired personnel	**5**	**6**
3) Directors and statutory auditors	**10**	**10**
4) Early retirement costs	**-**	**-**
5) Recovery of expenses for employees of the Bank seconded to other entities	**-94**	**-102**
6) Reimbursement of expenses for employees of other entities seconded to the Bank	**47**	**56**
TOTAL	**2,404**	**3,453**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 19 million euro.
In accordance with the first update of Circular 262 of the Bank of Italy, recoveries and other expenses for seconded personnel were presented separately. Therefore, for the purposes of comparison with prior year figures, the figures of the various 2008 items have been restated.

9.2 Average number of employees by category

	2009	2008
Personnel employed	**32,335**	**43,656**
a) managers	452	560
b) total officers	12,621	17,188
c) other employees	19,262	25,908
Other personnel	**37**	**69**
TOTAL	**32,372**	**43,725**

9.3 Post employment defined benefit plans: total expense

(millions of euro)

	2009			2008		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-	-1	-18	-	-2	-18
Financial costs of determining the present value of the defined benefit obligations	-30	-8	-123	-44	-7	-122
Expected return from the fund's assets	-	5	114	-	6	122
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	-	-	-	5	-
Actuarial losses recognised	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	-	-	-	-	-	-
Settlement of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

9.4 Other benefits in favour of employees

The balance as at 31 December 2009 amounted to 98 million euro, of which 40 million euro referred to contributions for Cassa Assistenza (medical assistance fund), 30 million euro for lunch vouchers and 27 million euro for other minor charges and benefits.

9.5 Other administrative expenses: breakdown

(millions of euro)

	2009	2008
Expenses for maintenance of information technology and electronic equipment	259	684
Telephonic, teletransmission and transmission expenses	22	88
Information technology expenses	**281**	**772**
Rentals and service charges - real estate	212	295
Security services	23	31
Cleaning of premises	25	33
Expenses for maintenance of real estate assets, furniture and equipment	28	35
Energy costs	64	89
Property costs	-	-
Management of real estate assets	**352**	**483**
Printing, stationery and consumables expenses	34	59
Transport and related services expenses (including counting of valuables)	49	66
Information expenses	21	27
Postal and telegraphic expenses	62	112
Other rental charges	16	18
General structure costs	**182**	**282**
Expenses for consultancy fees	144	208
Legal and judiciary expenses	94	96
Insurance premiums - banks and customers	25	32
Professional and legal expenses	**263**	**336**
Advertising and promotional expenses	**84**	**88**
Services rendered by third parties	**58**	**92**
Indirect personnel costs	**71**	**78**
Costs reimbursed to Group companies	**669**	**-21**
Other costs	**43**	**56**
Indirect taxes and duties	**271**	**330**
Recovery of other expenses	**-10**	**-10**
TOTAL	**2,264**	**2,486**

2008 amounts were restated to exclude tax recoveries and taxes which are currently included under operating income.

Details of merger and restructuring-related charges with breakdown by expense type are provided below.

Merger and restructuring-related charges: breakdown

(millions of euro)

	2009	2008
Personnel expenses	**41**	**370**
- expenses for incentive-driven exit plans	41	370
Other administrative expenses	**149**	**107**
- information technology expenses	126	60
- management of real estate assets	-	-
- professional and legal expenses	17	28
- advertising and promotional expenses	-	3
- indirect personnel costs	2	2
- other costs	4	14
Net adjustments to property, equipment and intangible assets	**7**	**8**
Other operating income (expenses)	**-13**	**-17**
Tax effect	**-57**	**-134**
TOTAL	**127**	**334**

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 160

10.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2009
Net provisions for legal disputes	-145	2	-143
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-61	40	-21
TOTAL	**-206**	**42**	**-164**

Net provisions for risks and charges, which amounted to 164 million euro, recorded the provisions attributable to the year relating to:

– litigation, including revocatory actions and other disputes;
– guarantees issued for the sale of equity investments and other loan transactions.

The above provisions include the discounting effects (10 million euro), as well as interest expense due to time value (18 million euro).

SECTION 11 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 170

11.1 Net adjustments to property and equipment: breakdown

(millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-143	-	-	-143
- used in operations	*-143*	-	-	*-143*
- investment	-	-	-	-
A.2 Acquired under finance lease	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
TOTAL	**-143**	**-**	**-**	**-143**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS – CAPTION 180

12.1 Net adjustments to intangible assets: breakdown

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-141	-	-	-141
- *internally generated*	*-31*	-	-	*-31*
- *other*	*-110*	-	-	*-110*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-141**	**-**	**-**	**-141**

SECTION 13 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 190

13.1 Other operating expenses: breakdown

(millions of euro)

	2009	2008
Charges for litigations and provisions for customer restorations	1	1
Burglaries and robberies	7	5
Amortisation of leasehold improvements	26	34
Other non-recurring expenses	42	104
Other	2	28
TOTAL	**78**	**172**

13.2 Other operating income: breakdown

(millions of euro)

	2009	2008
Income on securitisations	-	-
Recovery of insurance costs	-	1
Recovery of other expenses	-	1
Recovery of taxes and interest of previous years	-	5
Cheques prescribed	-	-
Recovery of rents paid	37	25
Recovery of services rendered to Group companies	377	765
Recovery of services rendered to third parties	7	53
Recovery of taxes and duties	228	279
Other	98	200
Total	**747**	**1,329**

Other income includes 59 million euro relating to compensation for damages from the IMI/SIR settlement.
2008 amounts were restated to include tax recoveries and taxes previously offset against administrative expenses.

SECTION 14 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 210

14.1 Profits (Losses) on disposal of equity investments: breakdown

(millions of euro)

	2009	2008
A. Revenues	149	612
1. Revaluations	-	-
2. Profits on disposal	*146*	*612*
3. Write-backs	-	-
4. Other	*3*	-
B. Charges	-122	-2,069
1. Write-downs	-	-
2. Impairment losses	*-122*	*-2,067*
3. Losses on disposal	-	*-2*
4. Other	-	-
Net result	**27**	**-1,457**

"Profits on disposal" mainly refer to the sale of investments in Esaote S.p.A. for 57 million euro, Penghua Fund Management Co. Ltd. for 45 million euro, IntesaTrade S.i.m. S.p.A. for 20 million euro, SI Holding S.p.A. for 13 million euro, Euromilano S.p.A. for 3 million euro and other minority interests for 1 million euro.
"Impairment losses" refer mainly to the subsidiaries Pravex Bank Public Joint Stock Company Commercial Bank for 104 million euro, NH Italia s.r.l. for 10 million euro, Italfondiario S.p.A. for 3 million euro, Newcocot S.p.A. for 3 million euro and other minority interests for 2 million euro.

SECTION 15 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 220

Not applicable to Intesa Sanpaolo.

SECTION 16 – GOODWILL IMPAIRMENT - CAPTION 230

16.1 Goodwill impairment: breakdown

Intesa Sanpaolo did not record any goodwill impairment.

SECTION 17 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 240

17.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

	2009	2008
A. Real estate assets	1	275
- profits on disposal	*1*	*279*
- losses on disposal	-	*-4*
B. Other assets	-	-
- profits on disposal	-	-
- losses on disposal	-	-
Net result	**1**	**275**

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 260

18.1 Taxes on income from continuing operations: breakdown

(millions of euro)

	2009	2008
1. Current taxes (-)	-920	-1,479
2. Changes in current taxes of previous years (+/-)	-1	67
3. Reduction in current taxes of the year (+)	-	-
4. Changes in deferred tax assets (+/-)	-21	2,055
5. Changes in deferred tax liabilities (+/-)	1,147	86
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**205**	**729**

18.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2009	2008
Income before tax from continuing operations	1,537	-552
Income before tax from discontinued operations	153	1,284
Theoretical taxable income	**1,690**	**732**

(millions of euro)

		%
Income tax - Theoretical tax expense	**531**	**31.4**
Increases of taxes	**359**	**21.3**
Greater base and actual IRAP rate	113	6.7
Non-deductible interest expense	67	4.0
Non-deductible costs (losses on equity investments, ICI [local property tax], personnel costs, etc.)	93	5.5
Other	86	5.1
Decreases of taxes	**-517**	**-31**
Non-taxed gains on equity investments	-46	-2.7
Tax-exempt portion of dividends	-360	-21.3
Other	-111	-6.6
Total change in taxes	**-158**	**-9.3**
Actual balance sheet tax charge prior to realignment of intangible assets and employee termination indemnities	**373**	**22.1**
of which: - taxes on income from continuing operations	**321**	**20.9**
- taxes on income from discontinued operations	**52**	**-**

		%
Substitute tax on realignment of intangible assets and employee termination indemnities	539	31.9
Impact of realignment of intangible assets and employee termination indemnities	-1,065	-63.0
Actual balance sheet tax charge after realignment of intangible assets and employee termination	**-153**	**-9.0**
of which: - taxes on income from continuing operations	**-205**	**-13.4**
- taxes on income from discontinued operations	**52**	**-**

Tax credits were recognised on the submission of applications for refunds of IRES for tax periods 2004 to 2007, arising from the acknowledgment of 10% deduction of IRAP, with a positive effect of 35 million euro.

SECTION 19 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 280

19.1 Income (Loss) after tax from discontinued operations: breakdown

(millions of euro)

	2009	2008
1. Income	263	604
2. Charges	-180	-404
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (Losses) on disposal	70	1,084
5. Taxes and duties	-52	-392
Income (Loss)	**101**	**892**

19.2 Breakdown of taxes on discontinued operations

(millions of euro)

	2009	2008
1. Current taxes (-)	-52	-121
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (-/+)	-	-271
4. Income taxes (-1 +/-2 +/-3)	**-52**	**-392**

SECTION 20 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 21 – EARNINGS PER SHARE

Earnings per share

For details, reference should be made to the relevant section of the Notes to the consolidated financial statements.

Part D – Comprehensive income

DETAILED STATEMENT OF COMPREHENSIVE INCOME

(millions of euro)

		Gross amount	Income tax	Net amount
10.	**NET INCOME (LOSS)**	**X**	**X**	**1,843**
	Other comprehensive income			
20.	Financial assets available for sale:	423	-62	361
	a) fair value changes	331	-52	279
	b) reversal to income statement	61	-2	59
	- impairment losses	*65*	*-1*	*64*
	- gains/losses from disposals	*-4*	*-1*	*-5*
	c) other changes	31	-8	23
30.	Property and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	-35	11	-24
	a) fair value changes	-212	68	-144
	b) reversal to income statement	177	-57	120
	c) other changes	-	-	-
70.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non current assets held for sale:	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves connected with investments carried at equity	-	-	-
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-	-	-
110.	**Total other comprehensive income**	**388**	**-51**	**337**
120.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**2,180**

Part E – Information on risks and relative hedging policies

This part of the Notes to the Parent Company's financial statements provides the quantitative information on risks relative to the Parent Company, Intesa Sanpaolo. For qualitative information on management and monitoring of risks, see Part E of the Notes to the consolidated financial statements.

SECTION 1 – CREDIT RISK

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

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

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other Assets	Total
1. Financial assets held for trading	1	35	2	6	28,845	28,889
2. Financial assets available for sale	-	-	-	-	10,332	10,332
3. Investments held to maturity	-	-	-	-	1,305	1,305
4. Due from banks	7	-	-	-	116,060	116,067
5. Loans to customers	1,555	4,099	1,983	735	170,178	178,550
6. Financial assets designated at fair value through profit and loss	-	-	-	-	183	183
7. Financial assets under disposal	-	-	-	9	5,579	5,588
8. Hedging derivatives	-	-	-	-	5,489	5,489
Total 31.12.2009	**1,563**	**4,134**	**1,985**	**750**	**337,971**	**346,403**
Total 31.12.2008	**1,428**	**2,083**	**278**	**336**	**355,156**	**359,281**

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

(millions of euro)

	Non-performing assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	44	-	44	X	X	28,845	28,889
2. Financial assets available for sale	-	-	-	10,332	-	10,332	10,332
3. Investments held to maturity	-	-	-	1,305	-	1,305	1,305
4. Due from banks	25	-18	7	116,085	-25	116,060	116,067
5. Loans to customers	13,420	-5,048	8,372	170,969	-791	170,178	178,550
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	183	183
7. Financial assets under disposal	10	-1	9	5,580	-1	5,579	5,588
8. Hedging derivatives	-	-	-	X	X	5,489	5,489
Total 31.12.2009	**13,499**	**-5,067**	**8,432**	**304,271**	**-817**	**337,971**	**346,403**
Total 31.12.2008	**8,728**	**-4,603**	**4,125**	**328,936**	**-961**	**355,156**	**359,281**

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	25	-18	X	7
b) Substandard loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	134,721	X	-25	134,696
TOTAL A	**134,746**	**-18**	**-25**	**134,703**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	4	-1	X	3
b) Other	29,847	X	-20	29,827
TOTAL B	**29,851**	**-1**	**-20**	**29,830**
TOTAL (A + B)	**164,597**	**-19**	**-45**	**164,533**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**7**	**11**	**-**	**5**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**20**	**5**	**-**	**16**
B.1 inflows from performing exposures	7	2	-	16
B.2 transfers from other non-performing exposure categories	11	-	-	-
B.3 other increases	2	3	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-2**	**-16**	**-**	**-21**
C.1 outflows to performing exposures	-	-	-	-5
C.2 write-offs	-	-	-	-
C.3 repayments	-2	-5	-	-16
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-11	-	-
C.6 other decreases	-	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**25**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**6**	**7**	**-**	**1**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**15**	**1**	**-**	**-**
B.1 impairment losses	4	-	-	-
B.2 transfers from other non-performing exposure categories	8	-	-	-
B.3 other increases	3	1	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-3**	**-8**	**-**	**-1**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-1
C.3 write-offs	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-8	-	-
C.5 other decreases	-3	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**18**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	5,522	-3,967	X	1,555
b) Substandard loans	5,059	-960	X	4,099
c) Restructured exposures	2,066	-83	X	1,983
d) Past due exposures	783	-39	X	744
e) Other assets	189,069	X	-792	188,277
TOTAL A	**202,499**	**-5,049**	**-792**	**196,658**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	734	-86	X	648
b) Other	92,491	X	-163	92,328
TOTAL B	**93,225**	**-86**	**-163**	**92,976**
TOTALE (A + B)	**295,724**	**-5,135**	**-955**	**289,634**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).
Substandard and restructured loans include 402 million euro and 72 million euro, respectively, in exposures for which there is cash collateral among deposit liabilities.

A.1.7. On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**5,129**	**2,837**	**364**	**364**
- of which exposures sold not derecognised	*3*	*11*	*-*	*5*
B. Increases	**1,649**	**5,973**	**2,250**	**2,772**
B.1 inflows from performing exposures	187	3,473	1,563	2,636
B.2 transfers from other non-performing exposure categories	1,210	1,997	627	13
B.3 other increases	252	503	60	123
B.4 business combinations	-	-	-	-
C. Decreases	**-1,256**	**-3,751**	**-548**	**-2,353**
C.1 outflows to performing exposures	-17	-668	-1	-290
C.2 write-offs	-217	-110	-91	-2
C.3 repayments	-327	-807	-110	-294
C.4 credit disposals	-9	-14	-	-
C.5 transfers to other non-performing exposure categories	-15	-1,800	-308	-1,724
C.6 other decreases	-8	-45	-29	-3
C.7 business combinations	-663	-307	-9	-40
D. Final gross exposure	**5,522**	**5,059**	**2,066**	**783**
- of which exposures sold not derecognised	*5*	*22*	*1*	*3*

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**3,703**	**766**	**86**	**34**
- of which exposures sold not derecognised	-	*2*	-	-
B. Increases	**1,177**	**1,084**	**198**	**146**
B.1 impairment losses	569	840	82	137
B.2 transfers from other non-performing exposure categories	419	214	114	4
B.3 other increases	189	30	2	5
B.4 business combinations	-	-	-	-
C. Decreases	**-913**	**-890**	**-201**	**-141**
C.1 recoveries on impairment losses	-101	-116	-16	-7
C.2 recoveries on repayments	-134	-53	-1	-3
C.3 write-offs	-217	-110	-91	-2
C.4 transfers to other non-performing exposure categories	-9	-531	-87	-124
C.5 other decreases	-12	-18	-5	-1
C.6 business combinations	-440	-62	-1	-4
D. Final total adjustments	**3,967**	**960**	**83**	**39**
- of which exposures sold not derecognised	*1*	*3*	-	-

The "other increases" mainly include the verification of interest due and the increases in the balances of the funds in foreign currency following the change in the exchange rate.
The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved subsidiaries.

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

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

Intesa Sanpaolo uses the ratings supplied by the following external rating agencies for all portfolios subject to capital adequacy framework: Standard & Poor's ratings Services, Moody's Investors Service, and Fitch Ratings.

Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.

The Class 6 rating column includes non-performing loans.

For the mapping of the risk classes and agency ratings employed, see the corresponding section of the Notes to the consolidated financial statements.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**153,120**	**20,268**	**6,325**	**2,444**	**387**	**8,466**	**140,351**	**331,361**
B. Derivatives	**4,274**	**897**	**93**	**54**	**10**	**44**	**1,358**	**6,730**
B.1. Financial derivatives	4,237	775	93	54	10	44	1,342	6,555
B.2. Credit derivatives	37	122	-	-	-	-	16	175
C. Guarantees given	**31,191**	**3,900**	**2,573**	**746**	**119**	**309**	**31,699**	**70,537**
D. Commitments to lend funds	**6,512**	**6,782**	**7,515**	**877**	**577**	**926**	**22,350**	**45,539**
Total	**195,097**	**31,847**	**16,506**	**4,121**	**1,093**	**9,745**	**195,758**	**454,167**

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

Intesa Sanpaolo has obtained permission to use the Foundation Internal Rating Based (FIRB) approach to determine the capital requirements of the Corporate portfolio (Regulatory corporate).

Ratings for the Corporate segment, as well as all ratings used in credit risk management systems, have been employed in preparing the table. Unrated exposures essentially consist of segments not yet covered by internal models (loans to individuals) and counterparties for which the roll-out of new models is still underway.

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**155,253**	**23,627**	**40,151**	**38,244**	**17,830**	**960**	**8,388**	**46,908**	**331,361**
B. Derivatives	**3,733**	**227**	**475**	**565**	**386**	**12**	**44**	**1,288**	**6,730**
B.1. Financial derivatives	3,708	182	475	565	386	12	44	1,183	6,555
B.2. Credit derivatives	25	45	-	-	-	-	-	105	175
C. Guarantees given	**32,974**	**6,619**	**12,540**	**7,590**	**5,019**	**43**	**305**	**5,447**	**70,537**
D. Commitments to lend funds	**7,225**	**6,546**	**12,604**	**5,140**	**2,036**	**271**	**302**	**11,415**	**45,539**
Total	**199,185**	**37,019**	**65,770**	**51,539**	**25,271**	**1,286**	**9,039**	**65,058**	**454,167**

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

A.3.1. Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**8,466**	**-**	**190**	**-**	**8**	**-**	**45**	**-**	**8,709**
COLLATERAL[(1)]									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	8,016	-	-	-	-	-	-	-	8,016
Other	165	-	3	-	3	-	6	-	177
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Other public entities	*78*	-	*17*	-	-	-	-	-	*95*
Banks	*140*	-	*53*	-	*1*	-	*27*	-	*221*
Other counterparties	*67*	-	*86*	-	*4*	-	*2*	-	*159*
TOTAL	**8,466**	**-**	**159**	**-**	**8**	**-**	**35**	**-**	**8,668**

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

A.3.2. Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**88,672**	**4,966**	**8,662**	**1,516**	**10,263**	**197**	**2,437**	**73**	**110,034**
COLLATERAL[(1)]									
Real estate assets	57,451	3,552	388	44	3,398	70	179	7	61,416
Securities	10,866	99	1,435	944	209	14	68	6	12,578
Other	885	91	1,281	11	194	2	48	3	2,408
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*768*	-	*59*	-	*256*	-	-	-	*1,083*
Other public entities	*12*	-	*3*	-	-	-	-	-	*15*
Banks	*1,852*	*413*	*238*	*1*	*188*	*1*	*29*	*6*	*2,307*
Other counterparties	*16,838*	*811*	*2,905*	*134*	*6,018*	*110*	*795*	*20*	*26,556*
TOTAL	**88,672**	**4,966**	**6,309**	**1,134**	**10,263**	**197**	**1,119**	**42**	**106,363**

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

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					Total on-balance sheet exposures	OFF-BALANCE SHEET EXPOSURES				Total off-balance sheet exposures	Total 31.12.2009	Total 31.12.2008
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	-	-	-	-	14,675	14,675	-	-	-	288	288	14,963	8,565
Individual adjustments	-1	-	-	-	X	-1	-	-	-	X	-	-1	-
Collective adjustments	X	X	X	X	-	-	X	X	X	-	-	-	-
OTHER PUBLIC ENTITIES													
Net exposure	-	3	-	-	2,484	2,487	-	-	-	821	821	3,308	2,553
Individual adjustments	-	-3	-	-	X	-3	-	-	-	X	-	-3	-3
Collective adjustments	X	X	X	X	-11	-11	X	X	X	-6	-6	-17	-3
FINANCIAL INSTITUTIONS													
Net exposure	40	216	2	9	52,875	53,142	1	13	2	22,203	22,219	75,361	77,246
Individual adjustments	-331	-17	-1	-2	X	-351	-	-	-	X	-	-351	-342
Collective adjustments	X	X	X	X	-55	-55	X	X	X	-18	-18	-73	-104
INSURANCE COMPANIES													
Net exposure	-	-	-	-	2,698	2,698	-	-	-	1,593	1,593	4,291	5,236
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-	-	X	X	X	-4	-4	-4	-4
NON-FINANCIAL COMPANIES													
Net exposure	998	3,107	1,933	274	78,507	84,819	88	388	150	66,340	66,966	151,785	188,812
Individual adjustments	-3,070	-775	-81	-25	X	-3,951	-23	-54	-9	X	-86	-4,037	-3,592
Collective adjustments	X	X	X	X	-667	-667	X	X	X	-132	-132	-799	-936
OTHER COUNTERPARTIES													
Net exposure	517	773	48	461	37,038	38,837	-	5	1	1,083	1,089	39,926	670
Individual adjustments	-565	-165	-1	-12	X	-743	-	-	-	X	-	-743	-726
Collective adjustments	X	X	X	X	-59	-59	X	X	X	-3	-3	-62	-72

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

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	1,514	-3,595	13	-293	6	-30	10	-43	12	-6
A.2. Substandard loans	3,953	-874	56	-37	87	-39	3	-10	-	-
A.3. Restructured exposures	1,837	-64	123	-10	23	-9	-	-	-	-
A.4. Past due exposures	740	-39	4	-	-	-	-	-	-	-
A.5. Other exposures	162,473	-640	15,914	-104	5,686	-33	3,734	-15	470	-
Total A	**170,517**	**-5,212**	**16,110**	**-444**	**5,802**	**-111**	**3,747**	**-68**	**482**	**-6**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	88	-23	1	-	-	-	-	-	-	-
B.2. Substandard loans	294	-52	13	-1	99	-1	-	-	-	-
B.3. Other non-performing assets	152	-9	-	-	1	-	-	-	-	-
B.4. Other exposures	40,503	-145	25,160	-10	25,825	-5	602	-2	238	-1
Total B	**41,037**	**-229**	**25,174**	**-11**	**25,925**	**-6**	**602**	**-2**	**238**	**-1**
TOTAL (A+B) 31.12.2009	**211,554**	**-5,441**	**41,284**	**-455**	**31,727**	**-117**	**4,349**	**-70**	**720**	**-7**
TOTAL 31.12.2008	**231,184**	**-5,135**	**54,896**	**-494**	**33,536**	**-94**	**5,409**	**-56**	**584**	**-4**

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

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	1,006	-2,287	28	-56	346	-845	134	-407
A.2. Substandard loans	2,668	-625	451	-21	500	-147	334	-81
A.3. Restructured exposures	1,723	-39	68	-6	41	-16	5	-3
A.4. Past due exposures	480	-26	32	-1	121	-7	107	-5
A.5. Other exposures	113,835	-461	3,295	-18	37,263	-113	8,080	-48
Total A	**119,712**	**-3,438**	**3,874**	**-102**	**38,271**	**-1,128**	**8,660**	**-544**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	39	-6	6	-1	39	-3	4	-13
B.2. Substandard loans	135	-42	83	-	47	-7	29	-3
B.3. Other non-performing assets	136	-9	-	-	14	-	2	-
B.4. Other exposures	22,720	-82	2,763	-15	13,770	-42	1,250	-6
Total B	**23,030**	**-139**	**2,852**	**-16**	**13,870**	**-52**	**1,285**	**-22**
TOTAL (A+B) 31.12.2009	**142,742**	**-3,577**	**6,726**	**-118**	**52,141**	**-1,180**	**9,945**	**-566**

B.4. Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	3	-12	1	-3	3	-3	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	115,502	-2	13,357	-7	2,261	-7	2,828	-9	748	-
Total A	**115,502**	**-2**	**13,360**	**-19**	**2,262**	**-10**	**2,831**	**-12**	**748**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	3	-1	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	6,751	-1	20,545	-6	549	-1	1,727	-10	255	-2
Total B	**6,751**	**-1**	**20,545**	**-6**	**549**	**-1**	**1,730**	**-11**	**255**	**-2**
TOTAL (A+B) 31.12.2009	**122,253**	**-3**	**33,905**	**-25**	**2,811**	**-11**	**4,561**	**-23**	**1,003**	**-2**
TOTAL 31.12.2008	**96,029**	**-2**	**61,482**	**-23**	**2,872**	**-6**	**4,516**	**-11**	**462**	**-1**

B.5. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	-	-	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	45,706	-1	4,348	-	63,192	-1	2,256	-
Total A	**45,706**	**-1**	**4,348**	**-**	**63,192**	**-1**	**2,256**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	4,810	-1	594	-	1,339	-	8	-
Total B	**4,810**	**-1**	**594**	**-**	**1,339**	**-**	**8**	**-**
TOTAL (A+B) 31.12.2009	**50,516**	**-2**	**4,942**	**-**	**64,531**	**-1**	**2,264**	**-**

B.6. Large risks

There are no risk positions that exceed the limit of 10% of regulatory capital.

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Qualitative information
The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**1**	**1**	**17**	**17**	**88**	**88**
a) Non-performing	-	-	17	17	33	33
b) Other	1	1	-	-	55	55
B. Third party underlying assets	**2,576**	**2,575**	**442**	**436**	**23**	**23**
a) Non-performing	-	-	-	-	-	-
b) Other	2,576	2,575	442	436	23	23
Total	**2,577**	**2,576**	**459**	**453**	**111**	**111**

Part of the positions shown in the table above has been included within the structured credit products: 2,497 million euro of gross exposures and 2,480 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see Part E of the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**13**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	13	13	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets	**122**	**87**	**-**	**-**	**2**	**2**	**1,901**	**1,901**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	122	87	-	-	2	2	1,901	1,901	-	-	-	-
TOTAL	**135**	**100**	**-**	**-**	**2**	**2**	**1,901**	**1,901**	**-**	**-**	**-**	**-**

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**17**	**-26**	**65**	**14**
A.1 Intesa Sec 2						
- performing residential mortgages	-	-	-	-	*24*	-
A.2 Intesa Sec						
- performing mortgages	-	-	-	-	*8*	-
A.3 Intesa Sec Npl						
- doubtful mortgages	-	-	*17*	*-26*	*33*	*14*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**1**	**-**	**-**	**-**	**23**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	-	-	*23*	-
C.2 Da Vinci						
- loans to the aircraft sector	*1*	-	-	-	-	-
TOTAL	**1**	**-**	**17**	**-26**	**88**	**14**

The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold 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

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 TCWGP						
- Project Finance loans	*571*	-	-	-	-	-
A.2 AYT Cedulas						
- Residential mortgages	*194*	-	-	-	-	-
A.3 Soc. Cart. Crediti INPS						
- Social security benefits	*193*	-	-	-	-	-
A.4 Geldilux						
- Loans	*183*	-	-	-	-	-
A.5 Duchess (*)						
- CLOs	*159*	*42*	-	-	-	-
A.6 GSC						
- Corporate loans	*143*	-				
A.7 Summer street (*)			-	-	-	-
- Structure Finance CDOs	*56*	*-1*				
A.8 Rhodium (*)			-	-	-	-
- Structure Finance CDOs	*50*	*-2*				
A.9 Stone Tower			-	-	-	-
- CLOs (*)	*46*	*-9*				
- CLOs	*10*	-	-	-	-	-
A.10 Portfolio of investment grade ABS securities subject to unitary management	*85*	-	-	-	-	-
A.11 Residual portfolio divided in 315 securities	*885*	*-7 (**)*	*436*	*-11 (***)*	*23*	-
TOTAL	**2,575**	**23**	**436**	**-11**	**23**	**-**

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

(**) Of which -6 million euro related to securities included in packages.

(***) Of which -3 million euro related to securities included in packages.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	*1,327*	-	-	-	-	-
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	*87*	*-35*	-	-	-	-	*574*	-	-	-	-	-
A.3. Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
TOTAL	**87**	**-35**	**-**	**-**	**2**	**-**	**1,901**	**-**	**-**	**-**	**-**	**-**

C.1.4. Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	510	55	-	-	-	-
Financial assets - fair value option	-	-	-	-	-	-
Financial assets available for sale	26	19	46	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	2,039	378	42	2,001	-	2
Total 31.12.2009	**2,575**	**452**	**88**	**2,001**	**-**	**2**
Total 31.12.2008	**3,350**	**534**	**106**	**13**	**2,586**	**2**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 24 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

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**609**	**-**
A.1 Fully derecognised	144	*X*
1. Doubtful loans	*58*	*X*
2. Substandard loans	*1*	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	*2*	*X*
5. Other assets	*83*	*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	465	-
1. Doubtful loans	*1*	-
2. Substandard loans	*5*	-
3. Restructured exposures	-	-
4. Past due exposures	*1*	-
5. Other assets	*458*	-
B. Third party underlying assets	**574**	**85**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	2	-
B.5. Other assets	572	85

C.1.6. Stakes in special purpose vehicles

Name	Registered office	% Stake
Intesa Lease Sec Srl	Milano	60.00%
Intesa Sec Spa	Milano	60.00%
Intesa Sec 2 Srl	Milano	60.00%
Intesa Sec 3 Srl	Milano	60.00%
Intesa Sec Npl Spa	Milano	60.00%
Augusto Srl	Milano	5.00%
Colombo Srl	Milano	5.00%
Diocleziano Srl	Milano	5.00%
ISP Sec 4 Srl (*)	Milano	100.00%

(*) The company ISP Sec 4 was not operative as at 31 December 2009.

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

Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sec	3	5	-	12	-	100%	-	99%	-	-
Intesa Sec 2	9	327	1	165	-	87%	-	-	-	-
Intesa Sec 3	28	1,933	4	543	-	46%	-	-	-	-
	40	**2,265**	**5**	**720**						

C.2. Sales

C.2.1. Financial assets sold not derecognised

(millions of euro)

	Cash assets				Derivatives	31.12.2009		31.12.2008	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**772**	**-**	**-**	**-**	**-**	**772**	**-**	**756**	**-**
- Financial assets sold totally recognised (book value)	772	-	-	-	-	772	-	756	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**10**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	10	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**3,964**	**-**	**-**	**-**	**X**	**3,964**	**-**	**4,395**	**-**
- Financial assets sold totally recognised (book value)	3,964	-	-	-	X	3,964	-	4,395	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**16**	**X**	**X**	**-**	**X**	**16**	**-**	**584**	**-**
- Financial assets sold totally recognised (book value)	16	X	X	-	X	16	-	584	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**232**	**X**	**X**	**-**	**X**	**232**	**-**	**2,944**	**-**
- Financial assets sold totally recognised (book value)	232	X	X	-	X	232	-	2,944	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**-**	**X**	**X**	**1,949**	**X**	**1,949**	**-**	**2,426**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	1,949	X	1,949	-	2,426	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2009	**4,984**	**-**	**-**	**1,949**	**-**	**6,933**	**-**	**X**	**X**
Total 31.12.2008	**-**	**-**	**-**	**-**	**-**	**X**	**X**	**11,115**	**-**

The financial assets sold and not derecognised included within loans to customers relate to loans sold under the Sec 3 securitisation.

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

(millions of euro)

	Due to customers		Due to banks		Total	Total
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2009	31.12.2008
Financial assets held for trading	330	-	577	-	907	271
Financial assets measured at fair value	-	-	-	-	-	10
Financial assets available for sale	1,527	-	2,327	-	3,854	4,432
Investments held to maturity	-	-	21	-	21	577
Due from banks	94	-	133	-	227	2,863
Loans to customers	2,033	-	-	-	2,033	2,573
TOTAL	**3,984**	**-**	**3,058**	**-**	**7,042**	**10,726**

The financial liabilities associated to financial assets sold and not derecognised relate to both securitisations and reverse repurchase agreements for securities recorded under assets. They do not, however, include reverse repurchase agreements relating to securities received under repurchase agreements.

C.3. Covered bond transactions

Covered bond transactions where the selling Bank and the lending Bank are the same are reported under this section.

On 24 July 2009, Intesa Sanpaolo S.p.A., as part of a 10 billion euro issue programme, issued the first series of Covered Bonds at par, known as the Intesa Sanpaolo F/R Covered Bonds, with maturity on 6 October 2011, for an initial amount of 3 billion euro.
The issue was collateralised by a cover pool consisting of public sector loans sold without recourse by Banca Infrastrutture Innovazione e Sviluppo SpA (BIIS) to the special purpose vehicle ISP CB Pubblico S.r.l. on 20 May 2009.
The funds needed to pay for the loans sold were raised through a subordinated loan granted by BIIS to the vehicle; BIIS in turn obtained an intercompany loan from the Parent Company.

The Cover Pool consists of separate assets pursuant to Law 130/99 and, in compliance with its provisions, the SPV issued an independent, irrevocable and unconditional first demand guarantee secured by the Cover Pool in favour of the bearers of the Covered Bonds, with recourse restricted to the assets of the Cover Pool.

BIIS fully subscribed to the bonds issued by Intesa Sanpaolo SpA, which were awarded a Moody's AAA rating.

The main features of the issue are shown in the table below:

(millions of euro)

Name	Issue	Maturity	Type of underlying asset	External rating	Book value as at 31.12.2009	Principal as at 31.12.2009
Intesa SP TV 09-11	24 July 2009	6 October 2011	Loans to the public sector originated by BIIS	AAA	3,026	3,000

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2009, expected losses totalled 0.50% of disbursed loans.

SECTION 2 – MARKET RISKS

2.1. INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

Qualitative information about measurement criteria of financial risks of Intesa Sanpaolo's regulatory trading book is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

Operational quantitative information on Intesa Sanpaolo's market risks is contained in Part E of the Notes to the consolidated financial statements.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION

Qualitative information on the measurement of financial risks in Intesa Sanpaolo's banking book is contained in Part E of the Notes to the consolidated financial statements.
With regard to hedging activities of foreign investments, hedges have been executed during the year to cover the foreign exchange risk related to earnings in foreign currency generated by the Parent Company's foreign branches.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

Interest margin sensitivity – assuming a 100 basis point increase in interest rates and a twelve-month holding period – amounted to -25 million euro at the end of 2009 (+20 million euro in the event of reduction).
The aforesaid potential impact would be reflected, in the case of invariance of the other income components, also in the Bank's year-end profit and loss net of tax.
Interest rate risk, generated by Intesa Sanpaolo's banking book, measured through shift sensitivity analysis (sensitivity of portfolio value to a parallel and uniform shift in the yield curve of ±100 basis points), recorded an average of 195 million euro during 2009 and amounted to 261 million euro at year-end.
Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 61 million euro during 2009, with a minimum value of 5 million euro and a maximum value of 94 million euro. At the end of December 2009 VaR totalled 70 million euro.
Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2009 of 115 million euro (94 million euro at the end of 2008), with minimum and maximum values respectively of 69 million euro and 145 million euro respectively. The VaR at the end of 2009 amounted to 116 million euro.
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock for the abovementioned listed assets recorded in the AFS category.

Impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	-10%	-74
Price shock	10%	74

2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

Qualitative information, including hedging activities of foreign exchange risk, is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(millions of euro)

	Currencies				
	US dollar	**GB pound**	**Swiss franc**	**Yen**	**Other currencies**
A. FINANCIAL ASSETS	**19,737**	**2,488**	**1,569**	**2,376**	**3,637**
A.1 Debt securities	3,673	831	28	455	1,164
A.2 Equities	558	117	1	-	94
A.3 Loans to banks	7,491	1,031	991	1,188	1,206
A.4 Loans to customers	8,015	509	549	733	1,173
A.5 Other financial assets	-	-	-	-	-
B. OTHER ASSETS	**5,913**	**673**	**15**	**60**	**209**
C. FINANCIAL LIABILITIES	**39,513**	**6,029**	**952**	**952**	**1,985**
C.1 Due to banks	10,001	1,123	146	239	1,208
C.2 Due to customers	15,264	1,418	806	151	378
C.3 Debt securities	14,248	3,488	-	562	399
C.4 Other financial liabilities	-	-	-	-	-
D. OTHER LIABILITIES	**1,262**	**10**	**5**	**28**	**104**
E. FINANCIAL DERIVATIVES					
- Options					
long positions	*579*	*23*	*1*	*155*	*10*
short positions	*575*	*23*	*1*	*159*	*10*
- Other derivatives					
long positions	*37,625*	*5,414*	*2,906*	*2,249*	*6,009*
short positions	*22,440*	*2,441*	*3,563*	*3,718*	*7,632*
TOTAL ASSETS	**63,854**	**8,598**	**4,491**	**4,840**	**9,865**
TOTAL LIABILITIES	**63,790**	**8,503**	**4,521**	**4,857**	**9,731**
IMBALANCE (+/-)	**64**	**95**	**-30**	**-17**	**134**

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included within the operating procedures and the estimation methodologies of the internal model based on VaR calculations, as described in Part E of the Notes to the consolidated financial statements.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) of 98 million euro as at 31 December 2009. This potential impact would only affect Shareholders' Equity, until disposal.

2.4. DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional amounts

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**381,060**	**6,248**	**406,361**	**15,346**
a) Options	33,352	-	30,006	-
b) Swaps	347,633	-	376,324	-
c) Forwards	75	144	31	2,271
d) Futures	-	6,104	-	13,075
e) Others	-	-	-	-
2. Equities and stock indices	**8,658**	**35**	**9,929**	**37**
a) Options	8,391	35	7,867	35
b) Swaps	267	-	2,062	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	2
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**73,325**	**-**	**101,314**	**-**
a) Options	3,992	-	8,026	-
b) Swaps	20,281	-	21,704	-
c) Forwards	48,642	-	71,528	-
d) Futures	-	-	-	-
e) Others	410	-	56	-
4. Commodities	**336**	**-**	**72**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**463,379**	**6,283**	**517,676**	**15,383**
AVERAGE VALUES	**534,338**	**8,047**	**611,808**	**19,768**

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**150,471**	**-**	**145,586**	**-**
a) Options	450	-	2,951	-
b) Swaps	150,021	-	142,635	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**595**	**-**
a) Options	-	-	595	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,750**	**-**	**3,722**	**-**
a) Options	-	-	-	-
b) Swaps	3,750	-	3,641	-
c) Forwards	-	-	81	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**154,221**	**-**	**149,903**	**-**
AVERAGE VALUES	**152,077**	**-**	**137,641**	**-**

A.2.2. Other derivatives

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**5,265**	**-**	**11,878**	**-**
a) Options	3,620	-	11,878	-
b) Swaps	1,645	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**1,298**	**-**	**4,498**	**-**
a) Options	1,298	-	4,498	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**-**	**-**	**6**	**-**
a) Options	-	-	6	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**6,563**	**-**	**16,382**	**-**
AVERAGE VALUES	**10,484**	**-**	**13,981**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments, the derivatives used to hedge debt securities measured at fair value through profit and loss and the put and call options relating to commitments on equity investments.

A.3. Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**8,405**	**1**	**10,216**	**1**
a) Options	404	1	783	1
b) Interest rate swaps	6,132	-	6,302	-
c) Cross currency swaps	1,161	-	1,254	-
d) Equity swaps	3	-	72	-
e) Forwards	688	-	1,773	-
f) Futures	-	-	-	-
g) Others	17	-	32	-
B. Banking book - hedging	**5,488**	**-**	**4,808**	**-**
a) Options	24	-	498	-
b) Interest rate swaps	5,337	-	4,016	-
c) Cross currency swaps	127	-	293	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	1	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**661**	**-**	**4**	**-**
a) Options	428	-	4	-
b) Interest rate swaps	233	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**14,554**	**1**	**15,028**	**1**

A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**9,486**	**-**	**11,849**	**-**
a) Options	792	-	495	-
b) Interest rate swaps	6,539	-	6,329	-
c) Cross currency swaps	1,584	-	2,535	-
d) Equity swaps	3	-	71	-
e) Forwards	552	-	2,387	-
f) Futures	-	-	-	-
g) Others	16	-	32	-
B. Banking book - hedging	**2,127**	**-**	**2,538**	**-**
a) Options	2	-	4	-
b) Interest rate swaps	1,644	-	1,932	-
c) Cross currency swaps	481	-	602	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**70**	**-**	**786**	**-**
a) Options	26	-	786	-
b) Interest rate swaps	44	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**11,683**	**-**	**15,173**	**-**

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	122	59,618	10,870	423	25,077	12,479
- positive fair value	-	19	705	199	-	951	17
- negative fair value	-	-	-1,014	-58	-37	-73	-579
- future exposure	-	2	139	80	2	105	5
2. Equities and stock indices							
- notional amount	-	-	152	136	1,714	80	1,921
- positive fair value	-	-	2	10	-	12	1
- negative fair value	-	-	-20	-	-17	-	-150
- future exposure	-	-	5	10	2	6	-
3. Foreign exchange rates and gold							
- notional amount	-	-	14,014	4,633	107	4,607	18
- positive fair value	-	-	194	58	-	260	1
- negative fair value	-	-	-411	-40	-	-55	-1
- future exposure	-	-	203	65	1	116	-
4. Other values							
- notional amount	-	-	-	1	-	141	-
- positive fair value	-	-	-	-	-	3	-
- negative fair value	-	-	-	-	-	-4	-
- future exposure	-	-	-	-	-	15	-

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	264,479	7,603	102	287	-
- positive fair value	-	-	4,237	217	-	7	-
- negative fair value	-	-	-5,052	-215	-10	-3	-
2. Equities and stock indices							
- notional amount	-	-	4,220	379	56	-	-
- positive fair value	-	-	78	12	-	-	-
- negative fair value	-	-	-31	-1	-4	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	47,526	1,586	-	834	-
- positive fair value	-	-	1,155	44	-	218	-
- negative fair value	-	-	-1,687	-20	-	-	-
4. Other values							
- notional amount	-	-	168	-	-	26	-
- positive fair value	-	-	5	-	-	-	-
- negative fair value	-	-	-3	-	-	-1	-

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	7,613	45	-	33	1,886
- positive fair value	-	-	14	-	-	-	-
- negative fair value	-	-	-79	-2	-	-1	-20
- future exposure	-	-	7	-	-	-	-
2. Equities and stock indices							
- notional amount	-	-	425	89	-	13	79
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-1	-	-	-	-1
- future exposure	-	-	1	3	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	156	-	-	-	-
- positive fair value	-	-	29	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	11	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	138,438	7,721	-	-	-
- positive fair value	-	-	5,642	246	-	-	-
- negative fair value	-	-	-1,378	-233	-	-	-
2. Equities and stock indices							
- notional amount	-	-	481	211	-	-	-
- positive fair value	-	-	54	66	-	-	-
- negative fair value	-	-	-1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,568	26	-	-	-
- positive fair value	-	-	95	3	-	-	-
- negative fair value	-	-	-481	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9. Residual maturity of over the counter financial derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**276,279**	**122,236**	**64,864**	**463,379**
A.1 Financial derivatives on debt securities and interest rates	216,985	105,888	58,187	381,060
A.2 Financial derivatives on equities and stock indices	1,576	4,287	2,795	8,658
A.3 Financial derivatives on foreign exchange rates and gold	57,556	11,887	3,882	73,325
A.4 Financial derivatives - other	162	174	-	336
B. Banking book	**70,576**	**58,651**	**31,557**	**160,784**
B.1 Financial derivatives on debt securities and interest rates	69,945	54,877	30,914	155,736
B.2 Financial derivatives on equities and stock indices	102	1,103	93	1,298
B.3 Financial derivatives on foreign exchange rates and gold	529	2,671	550	3,750
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2009	**346,855**	**180,887**	**96,421**	**624,163**
Total 31.12.2008	**429,932**	**157,315**	**99,080**	**686,327**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(millions of euro)

	Regulatory trading book		Banking book	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	*9,764*	*6,865*	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2009	**9,764**	**6,865**	**-**	**-**
Average values	**12,744**	**9,008**	**286**	**-**
Total 31.12.2008	**15,723**	**11,150**	**573**	**-**
2. Protection sales				
- Credit default products	*8,413*	*8,075*	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	*15*	*54*	-	-
Total 31.12.2009	**8,428**	**8,129**	**-**	**-**
Average values	**12,376**	**10,844**	**-**	**39**
Total 31.12.2008	**16,324**	**13,559**	**-**	**78**

Part of the contracts in force as at 31 December 2009, shown in the table above, has been included within the structured credit products, namely: 1,359 million euro of protection purchases and 2,103 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the Parent Company's financial statements.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**473**	**2,570**
a) Credit default products	473	2,570
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**473**	**2,570**

Part of the positive fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 430 million euro, almost entirely attributable to positions taken to hedge the exposure in structured credit products.
For more details, see the market risks chapter in this part of the Notes to the Parent Company's financial statements.

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**799**	**3,229**
a) Credit default products	799	3,227
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	2
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**799**	**3,229**

Part of the negative fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 730 million euro almost entirely attributable to exposures not included under the US subprime category.
For more details, see the market risks chapter in this part of the Notes to the Parent Company's financial statements.

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	3,406	3,137	-	-	-
- positive fair value	-	-	93	64	-	-	-
- negative fair value	-	-	-8	-17	-	-	-
- future exposure	-	-	272	222	-	-	-
2. Protection sales							
- notional amount	-	-	3,592	3,003	-	-	-
- positive fair value	-	-	10	8	-	-	-
- negative fair value	-	-	-117	-274	-	-	-
- future exposure	-	-	280	223	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	8,348	1,738	-	-	-
- positive fair value	-	-	240	26	-	-	-
- negative fair value	-	-	-27	-8	-	-	-
2. Protection sales							
- notional amount	-	-	8,543	1,419	-	-	-
- positive fair value	-	-	26	6	-	-	-
- negative fair value	-	-	-324	-24	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6. Residual maturity of credit derivatives: notional amounts

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**11,674**	**16,843**	**4,669**	**33,186**
A.1 Credit derivatives with "qualified reference obligation"	5,244	8,816	1,928	15,988
A.2 Credit derivatives with "unqualified reference obligation"	6,430	8,027	2,741	17,198
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2009	**11,674**	**16,843**	**4,669**	**33,186**
Total 31.12.2008	**13,928**	**33,130**	**10,349**	**57,407**

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Financial derivatives - bilateral agreements	**-**	**-**	**3,797**	**20**	**-14**	**289**	**7**
- positive fair value	-	-	3,083	24	-	220	6
- negative fair value	-	-	-598	-19	-14	-3	-
- future exposure	-	-	1,312	15	-	72	1
- net counterparty risk	-	-	-	-	-	-	-
2. Credit derivatives - bilateral agreements	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3. "Cross product" agreements	**-**	**-**	**636**	**174**	**-**	**-**	**-**
- positive fair value	-	-	624	111	-	-	-
- negative fair value	-	-	-407	-	-	-	-
- future exposure	-	-	419	63	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
Total 31.12.2009	**-**	**-**	**4,433**	**194**	**-14**	**289**	**7**

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**33,509**	**18,894**	**15,217**	**25,092**	**30,909**	**16,196**	**27,217**	**80,534**	**56,167**	**-**
A.1 Government bonds	7	-	50	130	1,943	4,706	3,258	2,502	961	-
A.2 Other debt securities	339	10	18	382	2,230	438	6,263	13,495	3,351	-
A.3 Quotas of UCI	393	-	-	-	-	-	-	-	-	-
A.4 Loans	32,770	18,884	15,149	24,580	26,736	11,052	17,696	64,537	51,855	-
- Banks	*4,019*	*8,780*	*8,765*	*16,898*	*17,890*	*6,060*	*9,522*	*17,124*	*11,116*	-
- Customers	*28,751*	*10,104*	*6,384*	*7,682*	*8,846*	*4,992*	*8,174*	*47,413*	*40,739*	-
Cash liabilities	**89,142**	**6,371**	**4,731**	**8,611**	**15,364**	**11,754**	**30,399**	**91,914**	**38,657**	**-**
B.1 Deposits and current accounts	88,656	3,067	3,871	6,412	8,073	2,609	7,102	32,796	7,311	-
- Banks	*4,592*	*1,948*	*2,957*	*5,618*	*5,873*	*1,779*	*6,930*	*32,013*	*7,310*	-
- Customers	*84,064*	*1,119*	*914*	*794*	*2,200*	*830*	*172*	*783*	*1*	-
B.2 Debt securities	27	581	399	1,114	4,786	8,001	16,648	57,682	27,333	-
B.3 Other liabilities	459	2,723	461	1,085	2,505	1,144	6,649	1,436	4,013	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*3,292*	*1,947*	*3,593*	*4,981*	*2,769*	*2,006*	*4,286*	*2,141*	-
- Short positions	*4*	*4,517*	*2,406*	*4,220*	*7,906*	*4,537*	*5,275*	*8,143*	*2,628*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*5,858*	-	-	-	-	-	-	-	-	-
- Short positions	*6,635*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*331*	-	-	-	-	-	-	-	-	-
- Short positions	-	*276*	-	-	*30*	-	*25*	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	*1*	*229*	*973*	*1,762*	*1,089*	*6,416*	*1,279*	-
- Short positions	*200*	*478*	-	-	*968*	*1,925*	*1,093*	*6,416*	*1,362*	-
C.5 Financial guarantees given	59	-	-	-	1	1	1	5	18	-

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,006**	**1,400**	**899**	**2,181**	**3,088**	**1,953**	**1,278**	**5,425**	**2,690**	**-**
A.1 Government bonds	1	-	-	97	80	3	-	21	17	-
A.2 Other debt securities	15	38	62	309	504	125	100	791	1,508	-
A.3 Quotas of UCI	558	-	-	-	-	-	-	-	-	-
A.4 Loans	432	1,362	837	1,775	2,504	1,825	1,178	4,613	1,165	-
- Banks	*149*	*691*	*497*	*1,019*	*1,798*	*1,389*	*830*	*956*	*181*	-
- Customers	*283*	*671*	*340*	*756*	*706*	*436*	*348*	*3,657*	*984*	-
Cash liabilities	**2,462**	**8,890**	**4,624**	**7,802**	**9,015**	**3,644**	**1,523**	**1,402**	**150**	**-**
B.1 Deposits and current accounts	2,412	7,065	3,572	5,227	4,217	822	351	228	-	-
- Banks	*853*	*3,979*	*917*	*1,459*	*839*	*39*	*333*	*219*	-	-
- Customers	*1,559*	*3,086*	*2,655*	*3,768*	*3,378*	*783*	*18*	*9*	-	-
B.2 Debt securities	15	1,401	837	2,416	4,528	2,700	1,172	1,168	14	-
B.3 Other liabilities	35	424	215	159	270	122	-	6	136	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*6,549*	*3,281*	*5,175*	*7,301*	*4,697*	*5,085*	*4,781*	*1,304*	-
- Short positions	*49*	*4,058*	*1,987*	*3,099*	*4,247*	*2,436*	*2,362*	*3,240*	*1,394*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*427*	-	-	-	-	-	-	-	-	-
- Short positions	*443*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*529*	-	-	-	-	-	-	-	-	-
- Short positions	-	*179*	*44*	*278*	*28*	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*17*	-	*12*	*482*	*632*	*462*	*1,791*	*741*	-
- Short positions	*75*	*68*	-	*2*	*436*	*567*	*495*	*1,793*	*1,140*	-
C.5 Financial guarantees given	-	-	-	-	-	-	1	-	-	-

Currency of denomination: Pound sterling

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**211**	**324**	**43**	**123**	**219**	**715**	**14**	**551**	**181**	**-**
A.1 Government bonds	-	-	-	-	113	576	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	23	119	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	211	324	43	123	106	139	14	528	62	-
- Banks	*115*	*276*	-	*81*	*75*	*132*	*3*	*301*	*48*	-
- Customers	*96*	*48*	*43*	*42*	*31*	*7*	*11*	*227*	*14*	-
Cash liabilities	**725**	**1,240**	**355**	**283**	**875**	**1**	**126**	**698**	**1,593**	**-**
B.1 Deposits and current accounts	724	1,172	195	204	8	1	18	143	-	-
- Banks	*393*	*472*	*2*	*19*	-	*1*	*18*	*143*	-	-
- Customers	*331*	*700*	*193*	*185*	*8*	-	-	-	-	-
B.2 Debt securities	1	34	141	79	844	-	108	555	1,593	-
B.3 Other liabilities	-	34	19	-	23	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*205*	*167*	*208*	*1,165*	*217*	*242*	*2,401*	*822*	-
- Short positions	-	*321*	*148*	*390*	*326*	*206*	*114*	*318*	*636*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*69*	-	-	-	-	-	-	-	-	-
- Short positions	*79*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*263*	-	-	-	-	-	-	-	-	-
- Short positions	-	*226*	*3*	*34*	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*15*	-	-	-	-	-	-	-	-
- Short positions	*15*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Yen

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**222**	**144**	**343**	**469**	**395**	**364**	**60**	**267**	**115**	**-**
A.1 Government bonds	1	-	-	-	197	244	-	-	8	-
A.2 Other debt securities	-	-	-	-	6	-	-	-	-	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	221	144	343	469	192	120	60	267	107	-
- Banks	*146*	*103*	*325*	*339*	*86*	*65*	*41*	*62*	*21*	-
- Customers	*75*	*41*	*18*	*130*	*106*	*55*	*19*	*205*	*86*	-
Cash liabilities	**144**	**66**	**-**	**-**	**-**	**31**	**67**	**454**	**171**	**-**
B.1 Deposits and current accounts	144	66	-	-	-	-	2	150	8	-
- Banks	*31*	*66*	-	-	-	-	-	*128*	*8*	-
- Customers	*113*	-	-	-	-	-	*2*	*22*	-	-
B.2 Debt securities	-	-	-	-	-	31	65	304	150	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	13	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*788*	*117*	*132*	*280*	*136*	*192*	*471*	*207*	-
- Short positions	-	*1,185*	*785*	*754*	*416*	*361*	*130*	*17*	*49*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*23*	-	-	-	-	-	-	-	-	-
- Short positions	*23*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*148*	-	-	-	-	-	-	-	-	-
- Short positions	-	*148*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*8*	*1*	*1*	*5*	*1*	-	-	-	-
- Short positions	*17*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**61**	**219**	**146**	**223**	**261**	**50**	**82**	**507**	**22**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	28	-	-	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	61	219	146	223	261	50	54	507	22	-
- Banks	*8*	*175*	*141*	*113*	*88*	*10*	*14*	*423*	*21*	-
- Customers	*53*	*44*	*5*	*110*	*173*	*40*	*40*	*84*	*1*	-
Cash liabilities	**169**	**52**	**8**	**132**	**566**	**3**	**-**	**-**	**21**	**-**
B.1 Deposits and current accounts	169	32	8	132	566	3	-	-	-	-
- Banks	*81*	*32*	*8*	*4*	-	-	-	-	-	-
- Customers	*88*	-	-	*128*	*566*	*3*	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	20	-	-	-	-	-	-	21	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*255*	*310*	*482*	*822*	*298*	*63*	*742*	-	-
- Short positions	-	*368*	*420*	*587*	*743*	*260*	*86*	*1,165*	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*18*	-	-	-	-	-	-	-	-	-
- Short positions	*18*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*62*	-	-	-	-	-	-	-	-	-
- Short positions	-	*62*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*25*	*1*	*2*	*8*	*1*	-	-	-	-
- Short positions	*37*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**365**	**512**	**42**	**273**	**620**	**636**	**463**	**335**	**308**	**-**
A.1 Government bonds	1	-	-	-	430	333	132	-	209	-
A.2 Other debt securities	1	2	1	1	4	23	-	28	-	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	363	510	41	272	186	280	331	307	99	-
- Banks	*289*	*481*	*21*	*196*	*21*	*167*	*-1*	*22*	*9*	-
- Customers	*74*	*29*	*20*	*76*	*165*	*113*	*332*	*285*	*90*	-
Cash liabilities	**458**	**300**	**269**	**229**	**179**	**113**	**83**	**160**	**192**	**-**
B.1 Deposits and current accounts	451	268	209	197	142	59	21	82	35	-
- Banks	*227*	*262*	*159*	*183*	*127*	*54*	*17*	*21*	*35*	-
- Customers	*224*	*6*	*50*	*14*	*15*	*5*	*4*	*61*	-	-
B.2 Debt securities	6	1	-	-	37	53	62	77	158	-
B.3 Other liabilities	1	31	60	32	-	1	-	1	-1	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*973*	*381*	*600*	*1,559*	*398*	*1,201*	*940*	*192*	-
- Short positions	-	*1,650*	*445*	*1,066*	*2,123*	*644*	*838*	*811*	*191*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*101*	-	-	-	-	-	-	-	-	-
- Short positions	*100*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*200*	-	-	-	-	-	-	-	-	-
- Short positions	-	*200*	*1*	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*199*	*1*	-	*17*	-	-	-	-	-
- Short positions	*215*	-	-	-	-	-	-	-	*1*	-
C.5 Financial guarantees given	-	-	-	-	-	18	-	18	-	-

2. Self-securitisations carried out by Intesa Sanpaolo S.p.A.

The securitisations originated by Intesa Sanpaolo S.p.A. in which it underwrote all the securities issued by the related vehicle (self-securitisations) have not been shown in the tables of Part E, section C "Securitisation and asset sales" of the Notes to the Parent Company's financial statements.

In 2008, Intesa Sanpaolo S.p.A. originated three securitisations through the vehicles Adriano Finance Srl and Adriano Finance 2 Srl.

On 4 August 2008, the securitisation was completed of a portfolio of performing mortgages of 7,998 million euro, sold without recourse to the vehicle Adriano Finance Srl on 28 March 2008 with economic effect as of 19 March. The company Adriano Finance issued RMBS notes at par (Adriano Finance F/R Notes December 2055) for the same amount.
The Class A notes, eligible for ECB repurchase transactions, are listed on the Luxembourg Stock Exchange and have obtained a AAA rating from both Standard & Poor's and Moody's agencies. The Class B notes on the other hand are unrated.

As part of the prudential enhancement of the already broad availability of the Intesa Sanpaolo Group's eligible assets for the central banks, in December 2008 two additional securitisations were completed of performing residential mortgages originated by Intesa Sanpaolo, respectively emanating from the former Intesa network (issuer Adriano Finance Srl) and the former Sanpaolo IMI network (issuer Adriano Finance 2 Srl). The mortgages were sold without recourse to these vehicles (both pursuant to Law 130/99), respectively on 24 November, with economic effect as of 29 October, and on 15 December 2008, with economic effect as of 13 December 2008.

The main features of these transactions are detailed below.

On 18 December 2008, was completed a securitisation of a portfolio of performing residential and commercial mortgages for 5,679 million euro. The company Adriano Finance Srl issued RMBS notes at par (Adriano Finance F/R Notes due December 2058) for the same amount.
The Class A notes, listed on the Luxembourg Stock Exchange and assigned a AAA rating by Standard & Poor's, are eligible for use for ECB repurchase operations. The Class B notes are unrated.

On 31 December 2008, was completed a securitisation of a portfolio of performing residential mortgages for an amount of 13,050 million euro. The company Adriano Finance 2 Srl issued RMBS notes at par (Adriano Finance F/R Notes due June 2061) for the same amount.
The Class A notes, listed on the Luxembourg Stock Exchange and assigned an AAA rating by Fitch, are eligible for use for ECB repurchase operations. The Class B notes are unrated.

Intesa Sanpaolo S.p.A. originated a similar self-securitisation in 2009, again subscribing for all the notes issued by the vehicle Adriano Finance Srl.

On 20 July 2009, was completed the securitisation of a portfolio of performing residential mortgages for an amount of 5,860 million euro, sold without recourse to the vehicle Adriano Finance Srl on 25 May 2009, with economic effect as of 23 May. The company Adriano Finance issued a third series of RMBS notes at par (Adriano Finance F/R Notes due June 2065) for the same amount. The Class A notes, eligible for use for refinancing operations in the Eurosystem, were awarded a AAA rating from the Fitch rating agency. The Class B notes are unrated.

These transactions, broken down into tranches, are summarised in the table below:

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2009
Adriano Finance S.r.l.	**Senior**			**18,136**
- of which first mortgage portfolio securitised (4 August 2008)		Performing mortgages	AAA	7,558
- of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008)		Performing residential and commercial long-term mortgages	AAA	5,281
- of which third mortgage portfolio securitised (Adriano ter Securitisation) (20 July 2009)		Performing residential mortgages	AAA	5,297
Adriano Finance S.r.l.	**Junior**			**1,401**
- of which first mortgage portfolio securitised (4 August 2008)		Performing mortgages	no rating	440
- of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008)		Performing residential and commercial long-term mortgages	no rating	398
- of which third mortgage portfolio securitised [Adriano ter Securitisation] (20 July 2009)		Performing residential mortgages	no rating	563
Adriano Finance 2 S.r.l.	**Senior**	**Performing residential long-term mortgages**	**AAA**	**12,174**
Adriano Finance 2 S.r.l.	**Junior**	**Performing residential long-term mortgages**	**no rating**	**876**
TOTAL				**32,587**

SECTION 4 – OPERATIONAL RISK

QUALITATIVE INFORMATION
The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION
Intesa Sanpaolo uses a combination of AMA and TSA Methods to determine its capital requirements and the resulting capital absorption amounted to around 954 million euro.

Part F – Information on capital

SECTION 1 – PARENT COMPANY'S SHAREHOLDERS' EQUITY

A. Qualitative information

Qualitative information on capital and capital management policies is contained in Part F of the Notes to the consolidated financial statements.

For individual banks, the minimum capital requirement, that is the ratio between regulatory capital and risk-weighted assets, must be at least equal to 8%. This capital requirement may be reduced by 25% provided that the amount of the consolidated regulatory capital, including Tier 3 capital, is equal to or higher than total consolidated capital requirements.

B. Quantitative information

B.1. Parent Company's shareholders' equity: breakdown

(millions of euro)

	31.12.2009	31.12.2008
1. Share capital	**6,647**	**6,647**
2. Share premium reserve	**33,271**	**33,271**
3. Reserves	**5,038**	**4,083**
retained earnings:	4,949	3,994
a) legal reserve	*1,329*	*1,329*
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	*3,620*	*2,665*
other	89	89
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves:	**986**	**649**
Financial assets available for sale	331	-30
Property and equipment	-	-
Intangible assets	-	-
Hedges of foreign investments	-	-
Cash flow hedges	-332	-308
Foreign exchange differences	-	-
Non current assets held for sale	-	-
Actuarial gains (losses) on defined benefit plans	-	-
Share of valuation reserves connected with investments carried at equity	-	-
Legally-required revaluations	987	987
7. Net income (loss)	**1,843**	**1,069**
Total	**47,785**	**45,719**

B.2. Valuation reserve of financial assets available for sale: breakdown

(millions of euro)

	Total as at 31.12.2009		Total as at 31.12.2008	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	79	-40	1	-54
2. Equities	303	-12	173	-128
3. Quotas of UCI	3	-1	4	-
4. Loans	13	-14	11	-37
Total	**398**	**-67**	**189**	**-219**

B.3. Valuation reserve of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**-53**	**45**	**4**	**-26**
2. Positive fair value differences	**113**	**275**	**3**	**28**
2.1 Fair value increases	111	212	3	1
2.2 Reversal to the income statement of negative reserves	2	63	-	-
- impairment	*1*	*63*	-	-
- disposal	*1*	-	-	-
2.3 Other changes	-	-	-	27
3. Negative fair value differences	**-21**	**-29**	**-5**	**-3**
3.1 Fair value decreases	-21	-25	-3	-1
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves:disposal	-	*-4*	-	-
3.4 Other changes	-	-	-2	-2
4. Closing amount	**39**	**291**	**2**	**-1**

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Regulatory capital

A. Qualitative information

As at 31 December 2009 Regulatory capital has been calculated on the basis of instructions included in Circular 155/91 of the Bank of Italy (Instructions on the preparation of reporting on regulatory capital and capital ratios) as modified by the 12th update of 5 February 2008.

Further details on qualitative information on regulatory capital and capital ratios are contained in Part F of the Notes to the consolidated financial statements.

1. Tier 1 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early redemption	Currency	Original amount in currency (millions)	Contribution to regulatory capital (millions of euro)
Subordinated linked to Preferred Shares issue	8.126%; from 10/11/2010 1-year Euribor + 3.5% p.a.	YES	10-Nov-2000	perpetual	10-Nov-2010	Eur	1,000	1,000
Subordinated deposit	6.988% fixed rate; from 12/07/2011 3-month Euribor + 2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Eur	500	500
Subordinated bonds	8.698% up to 24/9/2018 (excluded); thereafter at 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	250	250
Subordinated bonds	8.047% up to 20/06/2018 (excluded); thereafter at 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	1,250	1,250
Subordinated bonds	8.375% up to 14/10/2019; thereafter at 3-month Euribor + 687 bp p.a.	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500	1,500
Total innovative equity instruments (Tier I)								**4,500**

2. Tier 2 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early redemption	Currency	Original amount in currency (millions)	Contribution to regulatory capital (millions of euro)
Subordinated bonds	6.625% fixed rate	NO	8-May-2008	8-May-2018	NO	Eur	1,250	1,243
Subordinated bonds	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	120	119
Total hybrid instruments (Upper Tier 2)								**1,362**
Subordinated bonds	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000	142
Subordinated bonds	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	30-Jun-1998	1-Jul-2013	NO	Lit	200,000	58
Subordinated bonds	8% 1st coupon, 5% 2nd coupon, 4% 3rd coupon, thereafter 70% of 10-year swap rate	NO	9-Mar-1999	9-Mar-2014	NO	Lit	480,000	209
Subordinated bonds	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	250	218
Subordinated bonds	5.3% fixed rate	NO	22-Oct-1999	1-Jan-2010	NO	Eur	150	30
Subordinated bonds	5.2% fixed rate	NO	7-Dec-1999	1-Jan-2010	NO	Eur	90	18
Subordinated bonds	5.3% fixed rate	NO	21-Jan-2000	1-Jan-2010	NO	Eur	100	20
Subordinated bonds	5.5% fixed rate	NO	16-Feb-2000	1-Jan-2010	NO	Eur	41	8
Subordinated bonds	6.11% fixed rate; as of 23/2/05 97% of 30-year Euro Swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65	65
Subordinated bonds	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Eur	50	50
Subordinated bonds	5.35% fixed rate	NO	9-Apr-2001	9-Apr-2011	NO	Eur	125	50
Subordinated bonds	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Eur	266	159
Subordinated bonds	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Eur	126	74
Subordinated bonds	up to 01/08/2010 (excluded): 2.90% p.a., thereafter 6-month Euribor + 0.74% p.a.	YES	1-Aug-2005	1-Aug-2015	1-Aug-2010	Eur	20	20
Subordinated bonds	3-month Euribor + 0.25%	YES	8-Feb-2006	8-Feb-2016	8-Feb-2011	Eur	1,500	1,493
Subordinated bonds	5.50% fixed rate; as of 19/12/2011 3-month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	GBP	1,000	1,123
Subordinated bonds	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	GBP	250	282
Subordinated bonds	4.80%	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800	800
Subordinated bonds	5.75% fixed rate; as of 28/05/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Eur	1,000	998
Subordinated bonds	4.00%	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,097	1,038
Subordinated bonds	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382	382
Subordinated bonds	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	545	545

Characteristics of subordinated instruments	**Interest rate**	**Step-up**	**Issue date**	**Expiry date**	**Early redemption**	**Currency**	**Original amount in currency** (millions)	**Contribution to regulatory capital** (millions of euro)
Subordinated bonds	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415	415
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635	635
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165	165
Subordinated bonds	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500	1,488
Notes	6.375% p.a.	NO	6-Apr-2000	6-Apr-2010	NO	Eur	500	100
Notes	5.375% p.a.	NO	13-Dec-2002	13-Dec-2012	NO	Eur	300	180
Notes	up to 9/6/2010 (excluded): 3.75% p.a. thereafter: 3-month Euribor + 1.05% p.a.	YES	9-Jun-2003	9-Jun-2015	9-Jun-2010	Eur	350	349
Notes	up to 18/03/2019 (excluded): 5.625% p.a., thereafter 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	GBP	165	186
Notes	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Eur	700	699
Notes	up to 02/03/2015 (excluded): 3.75% p.a., thereafter 3-month Euribor + 0.89% p.a.	YES	2-Mar-2005	2-Mar-2020	2-Mar-2015	Eur	500	497
Notes	up to 20/02/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Eur	750	749
Notes	up to 19/04/2011 (excluded): 3-month Euribor + 0.20% p.a.; thereafter 3-month Euribor + 0.80% p.a.	YES	19-Apr-2006	19-Apr-2016	19-Apr-2011	Eur	500	492
Notes	up to 26/6/2013 (excluded): 4.375% p.a., thereafter 3-month Euribor +1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Eur	500	500
Total eligible subordinated liabilities (Lower Tier 2)								**14,237**
TOTAL								**20,099**

B. Quantitative information

(millions of euro)

	31.12.2009	31.12.2008
A. Tier 1 capital before the application of prudential filters	**40,937**	**38,714**
B. Tier 1 capital prudential filters	-447	-605
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-447*	*-605*
C. Tier 1 before items to be deducted (A+B)	**40,490**	**38,109**
D. Items to be deducted from Tier 1	**591**	**490**
E. Total Tier 1 capital (C-D)	**39,899**	**37,619**
F. Tier 2 capital before the application of prudential filters	**16,753**	**15,406**
G. Tier 2 capital prudential filters	**-96**	**-**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	*-96*	-
H. Tier 2 before items to be deducted (F+G)	**16,657**	**15,406**
I. Items to be deducted from Tier 2	**591**	**490**
L. Total Tier 2 capital (H-I)	**16,066**	**14,916**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,721**	**3,783**
N. Regulatory capital (E+L-M)	**52,244**	**48,752**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**52,244**	**48,752**

2.2. Capital adequacy

A. Qualitative information

With the full implementation of the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006), which adopt the provisions on the International Convergence of Capital Measurement and Capital Standards (Basel 2), Intesa Sanpaolo has been authorised by the Bank of Italy to adopt the Foundation Internal Rating Based method (FIRB) for calculating capital requirements for credit risk, using only internal assessments of Probability of Default (PD) parameters for the regulatory corporate portfolio.
Under the above mentioned Supervisory instructions, the bank must hold total capital equivalent to at least 8% of the total risk-weighted assets (total capital ratio) in relation to the typical risks associated with banking and financial activities (credit and counterparty risks, market risks and operational risks), weighted on the basis of regulatory segmentation of borrowing counterparties and taking into account credit risk mitigation techniques. This capital requirement may be reduced by 25% provided that the amount of the consolidated regulatory capital, including Tier 3 capital, is equal to or higher than total consolidated capital requirements.
Furthermore, banks must comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated.
The use of internal models to determine the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo applies the internal model to calculate generic position risk (price fluctuation risk) and specific risk (issuer risk) for equities, generic position risk for debt securities and the specific risk of some types of credit derivatives in the trading book, while standard methodologies are used for other risks. Counterparty risk is calculated independently of the portfolio of allocation.
Moreover, a specific capital requirement pertaining to operational risk has been established, in order to address the increased exposure of banks to this type of risk and upgrade the units for the management and control of intermediaries.
With regard to operational risks, following the completion of implementation of the AMA approach, authorisation from the Bank of Italy was obtained for the use of the internal Advanced Measurement Approach (AMA) in the calculation of the capital requirements.
For the assessment of capital soundness, more rigorous ratios are also used: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.

As indicated in the table on the composition of regulatory capital and capital ratios, as at 31 December 2009, Intesa Sanpaolo had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 24% and a Total capital ratio (regulatory capital/risk-weighted assets) equal to 31.4%.

B. Quantitative information

(millions of euro)

	Unweighted amounts		Weighted amounts/requirements	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
A. RISK ASSETS				
A.1 Credit and counterparty risk	**455,329**	**469,674**	**201,513**	**224,437**
1. Standard methodology	338,451	341,565	99,121	122,168
2. Methodology based on internal ratings	113,906	121,664	100,518	100,220
2.1 Base	*113,906*	*121,664*	*100,518*	*100,220*
2.2 Advanced	-	-	-	-
3. Securitisations	2,972	6,445	1,874	2,049
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**16,121**	**17,955**
B.2 Market risk			**686**	**746**
1. Standard methodology			655	654
2. Internal models			31	92
3. Concentration risk			-	-
B.3 Operational risk			**955**	**1,273**
1. Base methodology			-	-
2. Standard methodology			219	1,273
3. Advanced methodology			736	-
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**-4,440**	**-4,994**
B.6 Total capital requirements			**13,322**	**14,980**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**166,519**	**249,674**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**24.0%**	**15.1%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			**31.4%**	**19.5%**

With regard to the determination methods of the risk-weighted assets, please note that 2008 figures have not been restated.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

During the year, the Group did not carry out any business combinations governed by IFRS 3 resulting in the acquisition of control of businesses or legal entities.

However, the Group did undertake several extraordinary intragroup transactions, which are scoped out of IFRS 3, that involved the transfer of business lines or legal entities between companies within the Intesa Sanpaolo Group and the Parent Company. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded line by line in the individual financial statements of the Parent company Intesa Sanpaolo, without recognition of any economic effect.

The intragroup transactions completed during the year concerned:
- the contribution and transfer of Intesa Sanpaolo branches to Banca di Credito Sardo (the former Banca CIS);
- the contribution of branches from Intesa Sanpaolo to Intesa Sanpaolo Private Banking;
- the sale of the investment of Cassa dei Risparmi di Forlì e della Romagna in Intesa Sanpaolo Private Banking (after the relevant contribution) to Intesa Sanpaolo;
- the contribution of business lines from Intesa Sanpaolo to Intesa Sanpaolo Group Services;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio in Bologna;
- the contribution of branches from Intesa Sanpaolo to Cassa dei Risparmi di Forlì e della Romagna;
- the transfer of the equity stake held in Centro Vita by Banca CR Firenze and Cassa di Risparmio di Pistoia to Intesa Sanpaolo;
- the contribution of branches from Intesa Sanpaolo to Banca dell'Adriatico;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio del Friuli Venezia Giulia;
- the contribution of branches from Intesa Sanpaolo to Cassa di Risparmio di Venezia;
- the contribution of branches from Intesa Sanpaolo to Banca di Trento e Bolzano;
- the contribution of a business line from Intesa Sanpaolo to Banca IMI;
- the sale of the investment of Banca CR Firenze in Eurizon Capital (after the relevant contribution) to Intesa Sanpaolo;
- the sale of the investment of Banca Fideuram in Intesa Sanpaolo Servizi Transazionali (after the relevant contribution) to Intesa Sanpaolo;
- the merger by incorporation of Immit into Intesa Sanpaolo;
- the partial spin-off of Mediocredito to Intesa Sanpaolo, involving the transfer of the equity stakes in Leasint and Banca di Credito Sardo to the Parent Company's direct control.

Annual changes in goodwill

(millions of euro)

	31.12.2009
Initial goodwill	**6,870**
Increases	**-**
- Goodwill recorded in the year	-
- Other changes	-
Decreases	**-710**
- Reclassification of Securities Services business to non-current assets held for sale and discontinued operations	-159
- Impairment recorded in the year	-
- Disinvestments	-17
- Intragroup contributions	-534
- Other changes	-
Final goodwill	**6,160**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

No business combinations were carried out after the end of 2009.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

The Management Board has adopted the Intesa Sanpaolo "Regulations on the management of transactions with related parties" approved by the Supervisory Board and intended for all companies within the Group. The Regulations set out the criteria and principles for identifying related parties, assessing and approving transactions, and subsequently providing information to corporate bodies and to the market.
In accordance with the criteria set out in IAS 24, the Regulations define the rules for identifying in concrete terms the various entities belonging to the categories defined by this accounting principle (companies related through controlling or joint stakes, joint ventures, pension funds, Key Managers, close family members of Key Managers and related significant shareholding positions).
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.
Although no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management in accordance with IAS 24, the Management and Supervisory Boards have decided it is best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference standards, in order to include those Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the Bank's voting share capital greater than 2% (calculated considering only shares owned).
This approach allows closer monitoring of transactions with the main Shareholders, by subjecting them to the same assessment and approval procedure 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, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons for the transaction and its potential effects on the Bank's financials.
With regard to approval, the transactions falling under the sole responsibility of the Management Board are "significant" transactions between the Parent company and its related parties. "Significant" transactions are those with a major economic, capital and financial impact, as defined on the basis of specific qualitative and/or quantitative criteria applying to each type of transaction. In particular, they include:

1) transactions for an amount in excess of 3 million euro (or in excess of 20 million euro if the transactions are with companies belonging to the banking or corporate Group, reduced to half for companies that are not wholly owned):
   a) the purchase and sale of real estate;
   b) the underwriting, purchase or sale of stakes in the company, even if they do not lead to changes in the Banking Group;
   c) the purchase and sale of companies, business lines or entire business portfolios;
   d) framework agreements governing the provision of services or the placement or distribution of products/services with annual duration and automatic renewal, or multi-year;
2) transactions for an amount in excess of 25% of each company's Tier 1 capital/shareholders' equity or, in any case, higher than 25 million euro, investments in companies of the banking or corporate Group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the subsidiary's regulatory capital, the granting of overdrafts that are not for the purpose of supporting the subsidiary's core business;
3) the granting of overdrafts to related parties that are not part of the Banking Group, for an amount in excess of 0.50% of the consolidated regulatory capital;
4) financial and commercial transactions other than those mentioned above for an amount in excess of 20 million euro, excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits have been established for non-performing exposures (substandard, doubtful and restructured loans).
The Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid, methods or timeframes, may have effects on safeguarding company assets or on the thoroughness or correctness of disclosures, including accounting information, regarding Intesa Sanpaolo (any such transactions are also included in information provided to the market in accordance with article 71 bis of Issuers Regulation 11971/99).
In compliance with the provisions of the Corporate Governance Code, transactions having a value in excess of twice the levels established as being under the jurisdiction of the Management Board are also subject to the prior opinion of the Control Committee formed within the Supervisory Board.
In any case, the Control Committee must review transactions that are under the jurisdiction of the Management Board if any economic conditions have been identified that differ from those of the market, except when subsidiaries are involved.

The Regulations also establish that decision-making bodies can make use of independent experts, where considered appropriate, according to the degree of significance of the transaction, its specific economic or structural characteristics and the nature of the related party.
Concerning transactions carried out by subsidiaries, the Regulations specify which cases require a decision from the Board of Directors of the companies involved. Each company may also choose to include specific internal control measures in its own decision-making process. It is also expected to adopt a set of rules equivalent to the ones drawn up by the Parent company to regulate the transactions initiated by the company itself with its "own related parties".
Based on the Regulations, the prior opinion of the Parent company's Control Committee is also required for the most significant transactions between subsidiaries and parties related to the Parent company.
Moreover, the Regulations 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. Different quantitative thresholds must be decided for each type of transaction. All of the above is aimed at providing a complete overview of the most significant transactions, as well as the volumes and the main features of all those delegated.
Finally, please note that if the related party is one of the players that have direction, administration or control functions, the special decision-making procedure set out in article 136 of the Consolidated Law on Banking also applies. It subjects the transaction to the prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned article 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).
The provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may come into play in a significant manner 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.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities (Key Managers)

Given the organisational structure in 2008, pursuant to IAS 24 Intesa Sanpaolo decided to include within "managers with strategic responsibilities" (hereafter "Key Managers"), Management and Supervisory Board Members, 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 Managing Director/CEO or to the Chairman of the Management Board, and, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Operations and Special Projects.
The following table shows the amounts of the main benefits recognised to the Supervisory and Management Board Members and to other Key Managers which fall within the notion of related parties.

(millions of euro)

	31.12.2009
Short-term benefits [1]	36
Post-retirement benefits [2]	1
Other long-term benefits [3]	-
Employee termination indemnities [4]	-
Stock option plans [5]	-
Total remuneration paid to Key Managers	**37**

[1] Includes fixed and variable compensation of directors that may be assimilated with labour cost and social security charges paid by the company for its employees.

[2] Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to law and company regulations.

[3] Includes estimate of allocations for length of service awards for employees.

[4] Includes fees paid for early retirement incentive.

[5] Includes cost for stock option plans determined on the basis of IFRS 2 and charged to the financial statements.

The compensation paid to Supervisory and Management Board Members, General Managers and Key Managers is presented in detail below as provided for by article 78 of Issuers Regulation 11971 of 14 May 1999 and subsequent amendments.

(thousands of euro)

EXECUTIVE/DIRECTOR	OFFICE DESCRIPTION				COMPENSATION			
Name and Surname	**Office**		**Term of office**	**Expiry date**	**Compensation for the office in the reporting company (1)**	**Non-monetary benefits**	**Bonuses and other incentives**	**Other compens. (2)**
Giovanni BAZOLI	**INTESA SANPAOLO S.p.a.**							
	Chairman Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	1,200			
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Chairman Nomination Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Chairman Strategy Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				8			
Antoine BERNHEIM	**INTESA SANPAOLO S.p.a.**							
	Deputy Chairman Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	200			
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Strategy Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				4			
Rodolfo ZICH	**INTESA SANPAOLO S.p.a.**							
	Deputy Chairman Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	200			
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Nomination Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Member Strategy Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				8			
Carlo BAREL DI SANT'ALBANO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	- (a)			
	Member Strategy Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				- (a)			
Rosalba CASIRAGHI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			78
	Member Control Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				128			
Marco CIABATTONI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			3
	Member Financial Statements Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				30			
Giovanni COSTA	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Strategy Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				8			
Franco DALLA SEGA	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			71
	Secretary Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
Gianluca FERRERO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Financial Statements Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				30			
Angelo FERRO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Nomination Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
Pietro GARIBALDI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Control Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				136			
Giulio LUBATTI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			55
	Chairman Control Committee		from 01/01/09 to 31/12/09	31 December 2009	50			
	Member Remuneration Committee	(3)	from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				136			
Giuseppe MAZZARELLO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Nomination Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
Eugenio PAVARANI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			60
	Chairman Financial Statements Committee		from 01/01/09 to 31/12/09	31 December 2009	50			
	Member Remuneration Committee	(3)	from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				32			
Gianluca PONZELLINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 01/01/09 to 31/12/09	31 December 2009	150			79
	Chairman Remuneration Committee	(3)	from 01/01/09 to 31/12/09	31 December 2009	-			
	Member Control Committee		from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees				126			

(thousands of euro)

EXECUTIVE/DIRECTOR	OFFICE DESCRIPTION			COMPENSATION			
Name and Surname	**Office**	**Term of office**	**Expiry date**	**Compensation for the office in the reporting company** (1)	**Non-monetary benefits**	**Bonuses and other incentives**	**Other compens.** (2)
Gian Guido SACCHI MORSIANI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees			30			
Ferdinando TARGETTI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees			24			
Livio TORIO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/09 to 31/12/09	31 December 2009	150			118
	Member Control Committee	from 01/01/09 to 31/12/09	31 December 2009	-			
	Attendance fees			132			
Riccardo VARALDO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/09 to 31/12/09	31 December 2009	150			
	Member Nomination Committee	from 01/01/09 to 31/12/09	31 December 2009	-			
Enrico SALZA	**INTESA SANPAOLO S.p.a.**						
	Chairman Management Board	from 01/01/09 to 31/12/09	31 December 2009	1,200			
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			
Orazio ROSSI	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Management Board	from 01/01/09 to 31/12/09	31 December 2009	200			
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			311
Corrado PASSERA	**INTESA SANPAOLO S.p.a.**						
	Managing Director and Chief Executive Officer	from 01/01/09 to 31/12/09	31 December 2009	350			
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			
	General Manager	from 01/01/09 to 31/12/09	31 December 2009	1,500	311	1,500	-
Aureliano BENEDETTI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			698
Elio Cosimo CATANIA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			
Giuseppe FONTANA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			7
Gian Luigi GARRINO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			51
Virgilio MARRONE	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			
Emilio OTTOLENGHI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			228
Giovanni PERISSINOTTO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			
Marcello SALA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/09 to 31/12/09	31 December 2009	150			79
Francesco MICHELI	**INTESA SANPAOLO S.p.a.**						
	General Manager	from 01/01/09 to 31/12/09	31 December 2009	1,250	95		(b)
Other key managers				7,809	458	7,953	(c)

(1) Compensation for the offices in Intesa Sanpaolo S.p.A. and salaries, excluding compulsory collective social security benefits paid by the Bank and provisions for employee termination indemnities.

(2) Includes the compensation accrued with Intesa Sanpaolo subsidiary companies.

(3) The office of Member of the Remuneration Committee does not receive any attendance fee payment.

(a) 150 thousand euro for the office of Member of the Supervisory Board and 6 thousand euro, as attendance fee, for the office of Member of the Strategy Committee. Both amounts have been entirely reversed to EXOR S.p.A.

(b) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 250 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(c) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 553 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

The equity investments in the Parent company and in other subsidiaries held by Supervisory and Management Board Members, by General Managers, by Key Managers as well as by the other persons set forth by article 79 of Issuers Regulation 11971/99, are detailed in the table provided in Part H of the Notes to the consolidated financial statements.
The tables below provide the evolution and details of the stock option plans relative to Key Managers. Please note that as at 31 December 2009 there were no stock option plans for Supervisory and Management Board Members and General Managers of the Bank.

	Number of shares	Average strike price (in euro)	Market price (in euro)	Residual Maturity rights existing as at 31.12.2009
Rights existing as at 31 December 2008	3,426,500	3.951	2.519 (a)	
Adjustments for changes in the scope of reference and company operations (b)	-	-	-	
Rights exercised in 2009	-	-	-	
Rights expired (c)	-	-	-	
Rights annulled in 2009 (d)	-	-	-	
Rights assigned in 2009	-	-	-	
Rights existing as at 31 December 2009	3,426,500	3.951	3.165 (e)	Aprile 2012
Of which: exercisable as at 31 December 2009	-	-		

(a) Official price at the reference date of 30 December 2008.

(b) The scope of reference was updated based on changes in the organisational structure and responsibilities in 2009.

(c) Rights no longer exercisable following expiry of exercise period.

(d) Rights no longer exercisable following termination of employment.

(e) Official price at the reference date of 30 December 2009.

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2009	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012	3,426,500	-	April 2012

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

During 2009, no "atypical or unusual" transactions were carried out by the Parent company, either with related parties or entities other than related parties, the importance/relevance of which might have given rise to concerns regarding the protection of shareholders' equity or of minority shareholders' interests (any atypical or unusual transactions must also be disclosed to the market pursuant to article 71 bis of Consob Regulation 11971/99).

Transactions of ordinary or recurrent nature

Ordinary or usual transactions entered into with related parties fall within the scope of Intesa Sanpaolo's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

Receivable and payable balances with related parties as at 31 December 2009 – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on the Parent company's operating margin is insignificant.

	31.12.2009	
	Amount (millions of euro)	Impact (%)
Total financial assets	142,061	42.0
Total other assets	5,532	21.6
Total financial liabilities	88,038	24.9
Total other liabilities	2,667	15.9

	31.12.2009	
	Amount (millions of euro)	**Impact** (%)
Total interest income	4,103	38.1
Total interest expense	-2,129	29.2
Total fee and commission income	878	36.5
Total fee and commission expense	-76	26.5
Total operating costs	-836	17.9

During the year, there were no provisions for doubtful loans related to balances with related parties and no losses registered in the period in connection with uncollectible or doubtful loans due from related parties. Furthermore, allowances for risks and charges include the provisions made against any outstanding or probable disputes.
The table below sets out the main terms of reference of transactions with each category of related party, as identified by IAS 24. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, as well as information on Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the Bank's voting share capital greater than 2% (calculated considering only shares owned) and on parties that are not related pursuant to IAS 24, but are nevertheless included as a form of self-regulation. With regard to Equity investments, please see the tables in the Notes to the Parent company's financial statements – Part B – Information on the Parent company's balance sheet – Assets – Section 10.

(millions of euro)

	Financial assets held for trading	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	3,271	10,011	-	90,712	30,130	4,660	68,840	14,733	3,113	1,759	31,949
Companies subject to joint control	6	8	-	-	62	-	-	-	-	-	-
Associates	52	-	-	2	2,515	-	3	273	14	367	409
Key Managers and control bodies	-	-	-	-	2	-	-	4	-	-	-
Other related parties	-	-	-	-	4	-	-	526	-	106	59
Total	**3,329**	**10,019**	**-**	**90,714**	**32,713**	**4,660**	**68,843**	**15,536**	**3,127**	**2,232**	**32,417**
Shareholders (*)	447	411	-	135	4,295	10	40	438	68	431	399

(*) 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 Key Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations.
Concerning the intragroup transactions carried out in 2009, please note that these are normal internal business activities of a multifunctional banking group. They are usually regulated at the conditions at which the Parent company accesses the reference markets, which are not necessarily the same conditions that would be applicable if the counterparties operated independently. These conditions are, in any case, applied in compliance with criteria of substantial correctness and with the aim of creating value for the Group.
Intragroup transactions concerned mainly:
- the support given by Parent company to the financial needs of the other Group companies by providing risk capital and loans and by subscribing securities issued by the subsidiaries;
- the channelling of foreign funding by specialist Group companies in favour of the Parent company and, in part, of other subsidiaries;
- the Parent company's investment of subsidiaries' liquidity;
- structured finance transactions within the Group carried out through Banca IMI;
- outsourcing arrangements, revised in 2009 to reflect the changed composition of the Group, which govern services of an auxiliary nature rendered by the Parent company and Sanpaolo Group Services ScpA, primarily to banks of the Banca dei Territori Division and the Parent company. The services provided, in particular, concern the management of the IT platform, back office, property services, logistics as well as commercial, administrative and control support and consultancy;
- the agreements with Group companies on distribution of products and/or services (certain agreements are extended to some associates/joint ventures) or, more generally, intragroup support and consultancy;
- financial settlements provided for by agreements entered into with Group companies taking part in national fiscal consolidation, revised in 2009.

The Group's most significant relations with associates include those with Intesa Vita, Telco, the NH Hoteles Group, Bank of Qingdao, Penghua Fund Management, Nuovo Trasporto Viaggiatori and Alitalia Compagnia Aerea Italiana.
The more important transactions with companies subject to joint control (joint ventures) during the year, included those with Findomestic, which are attributable to the Group's normal business activities, in joint venture with other parties. As at 31 December the company was reclassified among AFS assets following the dilution of the equity interest held.

The category "Other related parties" includes the Bank's pension funds, the close relatives of board members, entities controlled by or related to the latter.
For information on the transactions entered into by the Group, see the corresponding chapter in the Notes to the Consolidated financial statements.

Particularly significant transactions
The following is an account of some transactions finalised in 2009 by the Parent company or its subsidiaries with related parties, mostly within the Group, as part of the Group's rationalisation plan, performed maintaining consistency of book values and, as a rule, with the support of independent appraisals. In this regard, please note that, in accordance with IAS 24, no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management; nevertheless, the Management and Supervisory Boards have deemed it best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference regulations, in order to include Shareholders and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the bank's voting share capital greater than 2% (calculated considering only shares owned). This approach enables closer monitoring of transactions with the main shareholders, by subjecting these transactions to the same assessment and approval procedure as applied to transactions with related parties, and by including them in the summary reporting table in the previous paragraph.
During 2009 the activities aimed at implementing the strategic options set out in the Business Plan and at rationalising Group structure continued.
Turning to the reorganisation of the Group's structure, as already discussed in the Half-yearly report, the most notable transaction concerned the incorporation of Intesa Sanpaolo Group Services S.c.p.A., tasked with Group-wide handling of all operations regarding Organisation, Security, Property, Procurement, Operating Services, ITC systems and Contact Unit services. The Parent company contributions of the related businesses and property assets were completed in April and June.
In further detail, the consortium company was incorporated through a pre-existing Group corporate vehicle, Imifin SpA, which took the name Intesa Sanpaolo Group Services ScpA, effective 31 March 2009. In order to make the new entity operational, certain activities up to that time performed by the Parent company were contributed to it; in particular, the contributions were carried out respectively on 20 April 2009 and 22 June 2009. The business line contributed on 20 April consisted in the set of assets, legal relationships and resources structured for procurement management, physical and IT security, back office services, IT services and infoproviders. This operation generated a 273 million euro capital increase for Intesa Sanpaolo Group Services, including 131 million euro of capital and 142 million euro of share premium. The business line contributed on 22 June comprised the "real estate" and "Contact unit" branches, respectively consisting of the set of assets, legal relationships and resources organised for real estate management, including real estate instrumental for the activities of Intesa Sanpaolo Group Services S.c.p.A. and managed by the structure itself, and the set of assets, legal relationships and resources organised for the operation of call centres. These transactions generated a 199 million euro capital increase for Intesa Sanpaolo Group Services, including 120 million euro of capital and 79 million euro of share premium.
The rationalisation of service activities shared by the Group included the concentration of the information technology unit of SEP - Servizi e Progetti in Infogroup through the partial spin-off by SEP of a group of assets of 6.8 million euro to Infogroup.
Various branch contribution transactions were undertaken in execution of the project to reorganise the network in geographical terms. Specifically:
– in February 2009, the contribution of 14 branches in the Romagna area to Cassa dei Risparmi di Forlì e della Romagna, accounted for by increasing the transferee's equity by 38 million euro. Given the presence of third-party shareholders, the transaction was undertaken at an exchange ratio determined on the basis of the valuation of the unit and Cariromagna according to homogeneous criteria;
– in February 2009, the contribution to Cassa di Risparmio in Bologna of the business unit consists of 39 branches located on the bank's area of choice, accounted for by increasing the transferee's equity by 195 million euro;
– in March 2009, the contribution to Banca di Credito Sardo (BCS, formerly Banca CIS) of the business unit consisting of 93 branches in the Sardinia area, accounted for by increasing the transferee's equity by 146 million euro. Given the presence of third-party shareholders, the transaction was undertaken at an exchange ratio determined on the basis of the valuation of the unit and BCS according to homogeneous criteria;
– in July 2009, the contribution to Banca dell'Adriatico of the business unit consisting of 33 branches in the Dorsale Adriatica area, accounted for by increasing the transferee's equity by 61.7 million euro;
– in July 2009, the contribution to Cassa di Risparmio del Friuli Venezia Giulia of the business unit consisting of 19 branches in the Friuli Venezia Giulia area, accounted for by increasing the transferee's equity by 46.1 million euro;
– in September 2009, the contribution to Banca di Trento e Bolzano of the business unit consisting of 7 branches in the Trentino Alto Adige area, accounted for by increasing the transferee's equity by 13.2 million euro;
– in September 2009, the contribution to Cassa di Risparmio di Venezia of the business unit consisting of 11 branches in the province of Venezia, accounted for by increasing the transferee's equity by 41.9 million euro.

The geographical reorganisation process will continue in 2010. In particular, the first reorganisation measures for Banca di Trento e Bolzano have been approved.
In December, the partial spin-off of Mediocredito Italiano was completed through the transfer to Intesa Sanpaolo of the entire investment (100% of share capital) in Leasint and the entire investment (15.063% of share capital) in Banca di Credito Sardo for a total of 565 million (the transaction was undertaken according to the simplified procedure set out in article 2505 of the Italian Civil Code, effective for legal purposes 31 December 2009). The process of concentrating the Group's leasing operations included the en bloc assignment to Leasint of the lease agreements held by Cassa di Risparmio

di Terni e Narni for 24.9 million euro, the approval of the transfer of 51% of the capital of Centro Leasing from Cassa di Risparmio di Firenze to Leasint, and the approval of the merger by incorporation of Centro Leasing Rete into Centro Leasing (these transactions will be closed in 2010).
As part of the rationalisation process initiated in 2008 in the Securities Services segment at the Group level, the Parent company approved the concentration of the Custody and Fund Services activities performed by the Group into Intesa Sanpaolo Servizi Transazionali (ISST) through the contribution by the Parent company to ISST of the business unit, including the Information Technology activities associated with the unit, consisting of Global Custody and Fund Services activities carried out in Italy, against the subscription for a share capital increase by the company for a total price of 208.4 million euro. The transaction will be closed in 2010. In this connection, on 14 December 2009 Banca Fideuram contributed the custodian bank business unit to ISST. The 700,000 shares resulting from the contribution of the investment to ISST were then sold to Intesa Sanpaolo for the total price of 17.4 million euro.
In accordance with the plan approved in 2008, the first half of 2009 witnessed the realisation of the project to concentrate the Group's private-banking operations within Intesa Sanpaolo Private Banking (ISPB) as part of the overarching rationalisation and integration plan for the distribution structure aimed at protecting and increasing the private-banking business's assets and creating a distinctive value proposal for customers. The transaction was undertaken in the form of the contribution by the Parent company of a business unit consisting of 61 branches and the partial spin-off to ISPB of an equal number of business units of Network banks consisting of 54 branches. To account for these transactions, ISPB increased its shareholders' equity by 164 million euro. The sale to ISPB of two branches of Cassa dei Risparmi di Forlì e della Romagna was then closed.
On 23 June a project was approved to rationalise the Group's bancassurance activities, based on specialisation by distribution network. This project will lead to the creation of a single company to serve the Group's banking networks and a life insurance company to serve Banca Fideuram's financial advisors. The companies involved are: Intesa Vita, 50% owned, a joint venture with the Generali Group; Centrovita Assicurazioni, 51% owned, a joint venture with Cardif Assurance (BNP Paribas Group) and the subsidiaries Eurizon Vita and Sud Polo Vita. Completion of the project is contingent upon obtainment of the required authorisation from Surveillance Bodies. As part of this project, Intesa Sanpaolo acquired 51% of Centrovita Assicurazioni from Cassa di Risparmio di Firenze (43%) and Cassa di Risparmio di Pistoia (8%) for a total consideration of 75 million euro, determined according to the company's embedded value as at 30 June 2009.
The transfer of the 19.9% investment in Union Life held by the Parent company (due to the merger by incorporation in 2007 of the former sub-holding company Eurizon Financial Group into Intesa Sanpaolo) to Eurizon Vita was then closed on 5 March 2009. The transfer took the form of a purchase and sale transaction at a price determined according to the original purchase price (86 million), which is still borne out by company performance and market data.
In the investment banking area, as part of the Business Plan approved by the new Banca IMI in 2007, the transfer of Intesa Sanpaolo's Structured Finance operations in Italy and the United Kingdom to Banca IMI entered into effect in September 2009 through the contribution of the investment banking business unit, for its net asset value of 750 million euro.
As part of asset-gathering activities serving customers, the contribution (and subsequent sale of the investment to Banca Fideuram) of the financial advisors business unit from Banca CR Firenze to Sanpaolo Invest SIM for a value of 9.6 million euro and the direct transfer of checking account and ancillary services for financial advisors' customers from Banca CR Firenze to Banca Fideuram for 1.5 million euro were closed in June.
As part of the gradual centralisation within Eurizon Capital SGR (EC) of the Group's individual and collective asset management operations that began in 2008, 2009 saw the completion of the integration of Intesa Distribution International Services SA and CR Firenze Gestion Internationale SA through the merger by incorporation into Eurizon Capital SA, as well as the contribution (and subsequent sale of the equity investment to Intesa Sanpaolo) of the business unit consisting of the portfolio management contracts of the former Banca CR Firenze Group to Eurizon Capital SGR for 2.13 million euro. The contribution by Intesa Sanpaolo of the equity investment of 49% of the capital of the Chinese firm Penghua Fund Management Company Limited to EC entered into effect in October through a share capital increase of 124 million euro.
With respect to the reconfiguration of the Group's consumer finance operations in 2008, which also involved the proportional partial spin off of Neos Banca to Intesa Sanpaolo and Consumer Financial Service (now Moneta), as described in the 2008 Financial statements, the merger by incorporation of Neos Banca (already 100% directly controlled by the Parent company) into Neos Finance (already 100% directly controlled by Neos Banca) was closed in July 2009 with the aim of simplifying and increasing the efficiency of processes. The transaction was undertaken through the simplified procedure without determining an exchange ratio.
Turning to international operations, a new entity, Intesa Sanpaolo Card doo, was incorporated in Croatia in April 2009 for the management of the cards of all of the Group's International Subsidiary Banks (including Egypt). The new entity received the controlling stake (75%) in Centurion Financne Storitve doo as well as the business line in charge of card management from Banka Koper, while PBZ Cards contributed to it the card-processing business line and its shareholding (25%) in Centurion (which thus became a wholly-owned subsidiary of the new entity).
In real-estate operations, as part of initiatives aimed at rationalising the corporate structure of the CIB Group (Hungary), CIB Support was incorporated in the second half of 2009 through the merger of CIB Service Ltd, CIB Inventory Ltd, IE-Services Ltd and Inter-Europa Beruhazo Ltd.
On 6 October 2009, the Shareholders' Meeting of KMB Bank (Russia) approved the plan to merge with ZAO Banca Intesa. The merger was executed with legal effect January 2010 through the incorporation of ZAO Banca Intesa into KMB Bank (renamed Banca Intesa ZAO) at an exchange ratio set at approximately 1.4119 new KMB shares per each cancelled share of ZAO Banca Intesa.
Other initiatives aimed at rationalising the Group's equity investment portfolio and reorganising its structure include the sale of interests in Intesa Sanpaolo Leasing Romania IFN by CIB Leasing Ltd (85%) and CIB Credit Ltd (10%) to Intesa Sanpaolo Romania, the merger by incorporation of Private Equity International SA into NHS Investments SA, and the

merger by incorporation of Sanpaolo IMI Investimenti per lo Sviluppo SGR into IMI Fondi Chiusi SGR. During the period, the subsidiary IMMIT SpA, after having contributed its real-estate assets to the Omega Fund, sold 23.54% of the fund shares to the Sanpaolo IMI pension fund for a consideration equal to the subscription value of the Omega Fund shares, effective retroactively from inception to 22 December 2008; on 21 September 2009 it was incorporated into Intesa Sanpaolo (value of 1,038 million euro) as it had served its purpose. The transaction was undertaken according to the simplified procedure set forth in article 2505 of the Italian Civil Code. The merger by incorporation of Fideuram France into Financière Fideuram was closed effective 16 October 2009 at the net book value of 13.2 million euro. Reference should be made to the 2008 Financial statements for other minor transactions that took effect for legal purposes on 1 January 2009.

As part of the settlements with Banca C.R. Firenze, Centro Factoring and Cassa di Risparmio della Spezia to resolve an outstanding dispute pertaining to the period prior to the adjudication of insolvency of the Parmalat Group (December 2003), in return for the discontinuation by Parmalat of all revocatory actions already initiated and the waiver of any other actions or claims against former Cassa di Risparmio di Firenze Group, the Group accepted the settlement of the dispute to the proposed extent, involving the assumption by the Parent company of liability for the difference between the allowances carried in the financial statements of the three subsidiaries and the amount due (as at 31 March 2009), according to the decisions made by Intesa Sanpaolo's Management Board on 20 March 2009.

The operations of the entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are illustrated in the Notes to the Parent company's financial statements - Part E – Information on risks and the relative hedging policies, to which reference should be made.

Transactions during the period undertaken with key managers, their close family members and entities controlled by or associated with them, are attributable to the Intesa Sanpaolo Group's normal operations and are fully compliant with applicable legislation.

The Group's most significant dealings with associates during the period include the loans granted to Telco SpA, GCL Holdings Lp Sarl, RCS Mediagroup SpA, Euromilano SpA, NH Hoteles SA, Autostrada Pedemontana Lombarda SpA, Nuovo Trasporto Viaggiatori SpA, Alitalia Compagnia Aerea Italiana SpA and other minor associates. All financing was disbursed at market interest rates. The Group renewed the Framework Agreement for the distribution of insurance products with Intesa Vita. Share capital increases were subscribed with respect to NH Hoteles, Nuovo Trasporto Viaggiatori, Autostrada Pedemontana Lombarda and other minor associates. The other initiatives completed in 2009 include the purchase by Pirelli & C. Real Estate of a 10% interest in Pirelli & C. Real Estate SGR for the price of 20 million euro. On 14 December 2009, Intesa Sanpaolo and IMI Investimenti sold their respective interests of 37.95% and 19.99% in Esaote for total consideration of 98.4 and 51.8 million euro, respectively, to a newly incorporated entity; IMI Investimenti invested 40.6 million euro to acquire a 19.97% interest in the new entity (Tutti SpA) that acquired 100% of Esaote as part of arrangements with a new shareholder. The transaction took place at market conditions. Financing was disbursed to the new entity at market interest rates.

On 26 February 2010, Telco completed a 1.3 billion euro bond issue that was then subscribed for by its shareholders on a proportional basis. The proceeds of the issue were used to make repayment in full of the bridge loan of 0.9 billion euro disbursed by the shareholders Telefonica, Intesa Sanpaolo and Mediobanca and the bank bridge loan of approximately 0.4 billion euro disbursed by Intesa Sanpaolo and Mediobanca.

With regard to transactions with companies subject to joint control (joint ventures) during the year, the Group participated on a proportional basis in a share capital increase of Findomestic Banca following the resolution of the extraordinary Shareholders' meeting of 13 May 2009. On 10 December 2009, as part of the transaction involving the transfer of the interest in Findomestic Banca to the BNP Paribas Group, Cassa di Risparmio di Pistoia e Pescia sold its investment in Cassa di Risparmio di Firenze for consideration of 71 million euro, determined according to the pricing scheme agreed upon as part of the broader transaction of transferring the investment. As at 31 December the company (25% owned) was reclassified among AFS assets following the dilution of the equity interest held.

Last, 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 in the first half of 2009) to stabilise and gradually reduce the total debt owed by the Carlo Tassara Group to Italian and foreign banks, by 31 December 2011. During the year, the disposal of owned equity investments continued as scheduled in order to reduce exposure. Given the arrangements reached, the position was allocated among restructured loans, without recognising any provisions, owing to the sufficiency of net asset value.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent company's financial statements. With regard to changes in the Parent company's equity investment portfolio, please also see Section 10 of the Notes to the Parent company's financial statements – Part B – Information on the Parent company's balance sheet – Assets.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Stock option plans already resolved on by SANPAOLO IMI

On 14 November 2005, the Board of Directors of Sanpaolo IMI launched a new stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 executives holding key positions in the Group with a strong influence on the strategic decisions aimed at achieving Business Plan objectives and increasing the value of the Group.

The plan provides for the assignment, redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, of a total of 30,059,750 options, exercisable after approval of the 2008 financial statements and no later than 30 April 2012 at a strike price of 3.9511 euro.

B. QUANTITATIVE INFORMATION

1. Annual changes

The tables below show information regarding the assignment of stock options and details of the rights outstanding as at 31 December 2009 broken down by strike price and residual maturity.

	Number of shares	**Average strike price** (euro)	**Market price** (euro)	**Residual Maturity rights existing as at 31.12.2009**
Rights existing as at 31 December 2008	11,369,750	3.951	2.519 (a)	
Adjustments for changes in the scope of reference (b)	1,090,250	3.951	-	
Rights exercised in 2009	-	-	-	
Rights expired (c)	-934,500	3.951	-	
Rights annulled in 2009 (d)	-	-	-	
Rights assigned in 2009	-	-	-	
Rights existing as at 31 December 2009	11,525,500	3.951	3.165 (e)	Aprile 2012
Of which: exercisable as at 31 December 2009	-	-	-	

(a) Official price at the reference date of 30 December 2008.

(b) The scope of reference was updated based on changes in the organisational structure and responsibilities of beneficiaries within the Group.

(c) Rights no longer exercisable following expiry of exercise period.

(d) Rights no longer exercisable following termination of employment.

(e) Official price at the reference date of 30 December 2009.

Strike price (euro)	**Exercise period**	**Number of shares**	**Of which exercisable as at 31 December 2009**	
			Number	**Contractual average residual maturity**
3.951	March 2009 - April 2012	11,525,500	-	April 2012

Part L – Segment reporting

Segment reporting is provided in the Notes to the consolidated financial statements.

Attachments

Consolidated reconciliation statements

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2008 and the restated consolidated balance sheet as at 31 December 2008

Reconciliation between the consolidated income statement as at 31 December 2008 and the consolidated income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

Reconciliation between the consolidated income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated consolidated income statement for 2008

Reconciliation between the consolidated income statement for 2009 and the restated consolidated income statement for 2009

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 the restated consolidated balance sheet and the reclassified consolidated balance sheet

Reconciliation between the restated consolidated income statement and the reclassified consolidated income statement

Intesa Sanpaolo reconciliation statements

Reconciliation between Intesa Sanpaolo financial statements and restated Intesa Sanpaolo financial statements

Reconciliation between the balance sheet as at 31 December 2008 and the restated balance sheet as at 31 December 2008

Reconciliation between the income statement as at 31 December 2008 and the income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

Reconciliation between the income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated income statement for 2008

Reconciliation between the income statement for 2009 and the restated income statement for 2009

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

Restated Intesa Sanpaolo income statement

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2009

Statement of Intesa Sanpaolo property, equipment and financial assets subject to revaluation

Statement of Intesa Sanpaolo pension funds

Table of significant equity investments in unquoted companies pursuant to article 126 of Consob Regulation 11971 of 14 May 1999

Fees for auditing and services other than auditing pursuant to article 149-duodecies of Consob Regulation 11971

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2008 and the restated consolidated balance sheet as at 31 December 2008

(millions of euro)

Assets		31.12.2008 Published (*)	Discontinued operations (a)	31.12.2008 Restated
10.	Cash and cash equivalents	7,835	-	7,835
20.	Financial assets held for trading	61,080	-20	61,060
30.	Financial assets designated at fair value through profit and loss	19,727	-7	19,720
40.	Financial assets available for sale	29,083	191	29,274
50.	Investments held to maturity	5,572	-	5,572
60.	Due from banks	56,371	-7,605	48,766
70.	Loans to customers	395,189	-517	394,672
80.	Hedging derivatives	5,389	-3	5,386
90.	Fair value change of financial assets in hedged portfolios (+/-)	66	-	66
100.	Investments in associates and companies subject to joint control	3,230	-455	2,775
110.	Technical insurance reserves reassured with third parties	40	-	40
120.	Property and equipment	5,255	-4	5,251
130.	Intangible assets	27,151	-543	26,608
	of which			
	- goodwill	*19,694*	*-530*	*19,164*
140.	Tax assets	7,495	-29	7,466
	a) current	*2,752*	*-29*	*2,723*
	b) deferred	*4,743*	-	*4,743*
150.	Non-current assets held for sale and discontinued operations	1,135	9,076	10,211
160.	Other assets	11,515	-84	11,431
Total Assets		**636,133**	**-**	**636,133**

(*) Historic data originally published in the 2008 Annual Report.

(a) Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions.

The item refers mainly to disposals to be made in 2010 regarding:

- the subsidiary Sanpaolo Bank Lux S.A.
- the subsidiary Intesa Sanpaolo Servizi Transazionali S.p.A.

the business unit consisting of Securities Services operations in other Group companies.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2008 Published (*)	Liabilities associated with discontinued operations (a)	31.12.2008 Restated
10.	Due to banks	51,745	-2,330	49,415
20.	Due to customers	217,498	-8,261	209,237
30.	Securities issued	188,280	-	188,280
40.	Financial liabilities held for trading	45,870	-25	45,845
50.	Financial liabilities designated at fair value through profit and loss	25,119	-	25,119
60.	Hedging derivatives	5,086	-28	5,058
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,236	-	1,236
80.	Tax liabilities	4,461	-34	4,427
	a) current	*1,607*	*-32*	*1,575*
	b) deferred	*2,854*	*-2*	*2,852*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	1,021	10,876	11,897
100.	Other liabilities	20,046	-183	19,863
110.	Employee termination indemnities	1,487	-	1,487
120.	Allowances for risks and charges	3,982	-15	3,967
	a) post employment benefits	*504*	*-*	*504*
	b) other allowances	*3,478*	*-15*	*3,463*
130.	Technical reserves	20,248	-	20,248
140.	Valuation reserves	-1,412	-	-1,412
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	8,075	-	8,075
180.	Share premium reserve	33,102	-	33,102
190.	Share capital	6,647	-	6,647
200.	Treasury shares (-)	-11	-	-11
210.	Minority interests (+/-)	1,100	-	1,100
220.	Net income (loss)	2,553	-	2,553
Total Liabilities and Shareholders' Equity		**636,133**	**-**	**636,133**

(*) Historic data originally published in the 2008 Annual Report.

(a) Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions.

The item refers mainly to disposals to be made in 2010 regarding:

- the subsidiary Sanpaolo Bank Lux S.A.
- the subsidiary Intesa Sanpaolo Servizi Transazionali S.p.A.
- the business unit consisting of Securities Services operations in other Group companies.

Reconciliation between the consolidated income statement as at 31 December 2008 and the consolidated income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

(millions of euro)

	2008 Published (*)	Impact of IFRS 5 adoption			Restatements as per the updated Bank of Italy Circular No. 262/2009 (d)	2008
		Disposal of Securities Services business (a)	Disposal of Sanpaolo Bank Lux S.A. (b)	Disposal of Intesa Sanpaolo Servizi Transazionali (c)		
10. Interest and similar income	28,041	-357	-235	-66	-	27,383
20. Interest and similar expense	-15,587	287	206	60	-	-15,034
30. Interest margin	**12,454**	**-70**	**-29**	**-6**	**-**	**12,349**
40. Fee and commission income	6,738	-133	-52	-10	-	6,543
50. Fee and commission expense	-1,247	19	10	2	-	-1,216
60. Net fee and commission income	**5,491**	**-114**	**-42**	**-8**	**-**	**5,327**
70. Dividend and similar income	704	-	-	-	-	704
80. Profits (Losses) on trading	-1,329	-	-	-	-	-1,329
90. Fair value adjustments in hedge accounting	-143	-	-	-	-	-143
100. Profits (Losses) on disposal or repurchase of	46	-	-	-	-	46
a) loans	*-50*	-	-	-	-	*-50*
b) financial assets available for sale	*80*	-	-	-	-	*80*
c) investments held to maturity	-	-	-	-	-	-
d) financial liabilities	*16*	-	-	-	-	*16*
110. Profits (Losses) on financial assets and liabilities designated at fair value	6	-	-	-	-	6
120. Net interest and other banking income	**17,229**	**-184**	**-71**	**-14**	**-**	**16,960**
130. Net losses / recoveries on impairment	-3,270	-	-	-	-	-3,270
a) loans	*-2,433*	-	-	-	-	*-2,433*
b) financial assets available for sale	*-963*	-	-	-	-	*-963*
c) investments held to maturity	-	-	-	-	-	-
d) other financial activities	*126*	-	-	-	-	*126*
140. Net income from banking activities	**13,959**	**-184**	**-71**	**-14**	**-**	**13,690**
150. Net insurance premiums	1,773	-	-	-	-	1,773
160. Other net insurance income (expense)	-1,575	-	-	-	-	-1,575
170. Net income from banking and insurance activities	**14,157**	**-184**	**-71**	**-14**	**-**	**13,888**
180. Administrative expenses	-10,055	49	20	5	-493	-10,474
a) personnel expenses	*-6,389*	*17*	*11*	*3*	-	*-6,358*
b) other administrative expenses	*-3,666*	*32*	*9*	*2*	*-493*	*-4,116*
190. Net provisions for risks and charges	-365	-	-	-	-	-365
200. Net adjustments to / recoveries on property and equipment	-432	-	1	-	-	-431
210. Net adjustments to / recoveries on intangible assets	-1,744	6	-	-	-	-1,738
220. Other operating expenses (income)	182	-32	2	-	493	645
230. Operating expenses	**-12,414**	**23**	**23**	**5**	**-**	**-12,363**
240. Profits (Losses) on investments in associates and companies subject to joint cc	176	-	-	-	-	176
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-
260. Goodwill impairment	-1,065	-	-	-	-	-1,065
270. Profits (Losses) on disposal of investments	203	-	-	-	-	203
280. Income (Loss) before tax from continuing operations	**1,057**	**-161**	**-48**	**-9**	**-**	**839**
290. Taxes on income from continuing operations	589	56	8	3	-	656
300. Income (Loss) after tax from continuing operations	**1,646**	**-105**	**-40**	**-6**	**-**	**1,495**
310. Income (Loss) after tax from discontinued operations	1,036	105	40	6	-	1,187
320. Net income (loss)	**2,682**	**-**	**-**	**-**	**-**	**2,682**
330. Minority interests	-129	-	-	-	-	-129
340. Parent Company's net income (loss)	**2,553**	**-**	**-**	**-**	**-**	**2,553**

(*) Historic data originally published in the 2008 Annual Report.

(a) Includes the effects on the 2008 income statement of the business unit consisting of Securities Services operations in Group companies

(b) Includes the effects on the 2008 income statement of the subsidiary Sanpaolo Bank Lux S.A.

(c) Includes the effects on the 2008 income statement of the subsidiary Intesa Sanpaolo Servizi Transazionali S.p.A. (post-acquisition by the Intesa Sanpaolo Group)

(d) Includes the re statement of cost recoveries on indirect taxes, recognised in accordance with Bank of Italy instructions provided in its update on 18 November 2009 to Circular No. 262

Reconciliation between the consolidated income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated consolidated income statement for 2008

(millions of euro)

		2008	Changes in the scope of consolidation			2008 Restated
			Pravex Bank (a)	Intesa Sanpaolo Servizi Transazionali (a)	Total change in the scope of consolida-tion	
10.	Interest and similar income	27,383	36	13	49	27,432
20.	Interest and similar expense	-15,034	-13	-	-13	-15,047
30.	**Interest margin**	**12,349**	**23**	**13**	**36**	**12,385**
40.	Fee and commission income	6,543	22	-	22	6,565
50.	Fee and commission expense	-1,216	-1	-	-1	-1,217
60.	**Net fee and commission income**	**5,327**	**21**	**-**	**21**	**5,348**
70.	Dividend and similar income	704	-	-	-	704
80.	Profits (Losses) on trading	-1,329	4	-	4	-1,325
90.	Fair value adjustments in hedge accounting	-143	-	-	-	-143
100.	Profits (Losses) on disposal or repurchase of	46	-	-	-	46
	a) loans	*-50*	-	-	-	*-50*
	b) financial assets available for sale	*80*	-	-	-	*80*
	c) investments held to maturity	-	-	-	-	-
	d) financial liabilities	*16*	-	-	-	*16*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	6	-	-	-	6
120.	**Net interest and other banking income**	**16,960**	**48**	**13**	**61**	**17,021**
130.	Net losses / recoveries on impairment	-3,270	-5	-	-5	-3,275
	a) loans	*-2,433*	*-5*	-	*-5*	*-2,438*
	b) financial assets available for sale	*-963*	-	-	-	*-963*
	c) investments held to maturity	-	-	-	-	-
	d) other financial activities	*126*	-	-	-	*126*
140.	**Net income from banking activities**	**13,690**	**43**	**13**	**56**	**13,746**
150.	Net insurance premiums	1,773	-	-	-	1,773
160.	Other net insurance income (expense)	-1,575	-	-	-	-1,575
170.	**Net income from banking and insurance activities**	**13,888**	**43**	**13**	**56**	**13,944**
180.	Administrative expenses	-10,474	-38	-	-38	-10,512
	a) personnel expenses	*-6,358*	*-29*	-	*-29*	*-6,387*
	b) other administrative expenses	*-4,116*	*-9*	-	*-9*	*-4,125*
190.	Net provisions for risks and charges	-365	-	-	-	-365
200.	Net adjustments to / recoveries on property and equipment	-431	-3	-	-3	-434
210.	Net adjustments to / recoveries on intangible assets	-1,738	-	-	-	-1,738
220.	Other operating expenses (income)	645	-	-	-	645
230.	**Operating expenses**	**-12,363**	**-41**	**-**	**-41**	**-12,404**
240.	Profits (Losses) on investments in associates and companies subject to joint control	176	-	-	-	176
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-
260.	Goodwill impairment	-1,065	-	-	-	-1,065
270.	Profits (Losses) on disposal of investments	203	-	-	-	203
280.	**Income (Loss) before tax from continuing operations**	**839**	**2**	**13**	**15**	**854**
290.	Taxes on income from continuing operations	656	-1	-4	-5	651
300.	**Income (Loss) after tax from continuing operations**	**1,495**	**1**	**9**	**10**	**1,505**
310.	Income (Loss) after tax from discontinued operations	1,187	-	8	8	1,195
320.	**Net income (loss)**	**2,682**	**1**	**17**	**18**	**2,700**
330.	Minority interests	-129	-1	-17	-18	-147
340.	**Parent Company's net income (loss)**	**2,553**	**-**	**-**	**-**	**2,553**

[a] 2008 income statement figures prior to the acquisition of the company in question by the Intesa Sanpaolo Group.

[b] 2008 income statement figures prior to the acquisition of the company in question by the Intesa Sanpaolo Group, inclusive of the reclassification of disposed Securities Services operations to discontinued operations.

Reconciliation between the consolidated income statement for 2009 and the restated consolidated income statement for 2009

The consolidated income statement for 2009 did not require restatements.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2009	31.12.2008 restated	Changes amount	Changes %
10.	Cash and cash equivalents	8,412	7,835	577	7.4
20.	Financial assets held for trading	69,825	61,060	8,765	14.4
30.	Financial assets designated at fair value through profit and loss	21,965	19,720	2,245	11.4
40.	Financial assets available for sale	35,895	29,274	6,621	22.6
50.	Investments held to maturity	4,561	5,572	-1,011	-18.1
60.	Due from banks	43,242	48,766	-5,524	-11.3
70.	Loans to customers	374,033	394,672	-20,639	-5.2
80.	Hedging derivatives	7,008	5,386	1,622	30.1
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	66	3	4.5
100.	Investments in associates and companies subject to joint control	3,059	2,775	284	10.2
110.	Technical insurance reserves reassured with third parties	38	40	-2	-5.0
120.	Property and equipment	5,291	5,251	40	0.8
130.	Intangible assets	25,789	26,608	-819	-3.1
	of which				
	- goodwill	*18,838*	*19,164*	*-326*	*-1.7*
140.	Tax assets	7,320	7,466	-146	-2.0
	a) current	*2,072*	*2,723*	*-651*	*-23.9*
	b) deferred	*5,248*	*4,743*	*505*	*10.6*
150.	Non-current assets held for sale and discontinued operations	6,552	10,211	-3,659	-35.8
160.	Other assets	11,785	11,431	354	3.1
Total Assets		**624,844**	**636,133**	**-11,289**	**-1.8**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2009	31.12.2008 restated	variazioni assolute	variazioni %
10.	Due to banks	43,369	49,415	-6,046	-12.2
20.	Due to customers	210,814	209,237	1,577	0.8
30.	Securities issued	185,243	188,280	-3,037	-1.6
40.	Financial liabilities held for trading	42,249	45,845	-3,596	-7.8
50.	Financial liabilities designated at fair value through profit and loss	25,887	25,119	768	3.1
60.	Hedging derivatives	5,179	5,058	121	2.4
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,513	1,236	277	22.4
80.	Tax liabilities	2,965	4,427	-1,462	-33.0
	a) current	*841*	*1,575*	*-734*	*-46.6*
	b) deferred	*2,124*	*2,852*	*-728*	*-25.5*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	9,723	11,897	-2,174	-18.3
100.	Other liabilities	15,755	19,863	-4,108	-20.7
110.	Employee termination indemnities	1,374	1,487	-113	-7.6
120.	Allowances for risks and charges	3,420	3,967	-547	-13.8
	a) post employment benefits	*512*	*504*	*8*	*1.6*
	b) other allowances	*2,908*	*3,463*	*-555*	*-16.0*
130.	Technical reserves	23,582	20,248	3,334	16.5
140.	Valuation reserves	-430	-1,412	-982	-69.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	10,565	8,075	2,490	30.8
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-8	-11	-3	-27.3
210.	Minority interests (+/-)	1,090	1,100	-10	-0.9
220.	Net income (loss)	2,805	2,553	252	9.9
Total Liabilities and Shareholders' Equity		**624,844**	**636,133**	**-11,289**	**-1.8**

Restated consolidated income statement

(millions of euro)

		2009	2008 restated	Changes amount	Changes %
10.	Interest and similar income	19,607	27,432	-7,825	-28.5
20.	Interest and similar expense	-8,370	-15,047	-6,677	-44.4
30.	**Interest margin**	**11,237**	**12,385**	**-1,148**	**-9.3**
40.	Fee and commission income	6,141	6,565	-424	-6.5
50.	Fee and commission expense	-1,186	-1,217	-31	-2.5
60.	**Net fee and commission income**	**4,955**	**5,348**	**-393**	**-7.3**
70.	Dividend and similar income	479	704	-225	-32.0
80.	Profits (Losses) on trading	855	-1,325	2,180	
90.	Fair value adjustments in hedge accounting	-41	-143	-102	-71.3
100.	Profits (Losses) on disposal or repurchase of	316	46	270	
	a) loans	*-16*	*-50*	*-34*	*-68.0*
	b) financial assets available for sale	*320*	*80*	*240*	
	c) investments held to maturity	-	-	-	
	d) financial liabilities	*12*	*16*	*-4*	*-25.0*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	81	6	75	
120.	**Net interest and other banking income**	**17,882**	**17,021**	**861**	**5.1**
130.	Net losses / recoveries on impairment	-3,711	-3,275	436	13.3
	a) loans	*-3,448*	*-2,438*	*1,010*	*41.4*
	b) financial assets available for sale	*-256*	*-963*	*-707*	*-73.4*
	c) investments held to maturity	-	-	-	
	d) other financial activities	*-7*	*126*	*-133*	
140.	**Net income from banking activities**	**14,171**	**13,746**	**425**	**3.1**
150.	Net insurance premiums	6,579	1,773	4,806	
160.	Other net insurance income (expense)	-7,251	-1,575	5,676	
170.	**Net income from banking and insurance activities**	**13,499**	**13,944**	**-445**	**-3.2**
180.	Administrative expenses	-9,615	-10,512	-897	-8.5
	a) personnel expenses	*-5,788*	*-6,387*	*-599*	*-9.4*
	b) other administrative expenses	*-3,827*	*-4,125*	*-298*	*-7.2*
190.	Net provisions for risks and charges	-330	-365	-35	-9.6
200.	Net adjustments to / recoveries on property and equipment	-413	-434	-21	-4.8
210.	Net adjustments to / recoveries on intangible assets	-771	-1,738	-967	-55.6
220.	Other operating expenses (income)	519	645	-126	-19.5
230.	**Operating expenses**	**-10,610**	**-12,404**	**-1,794**	**-14.5**
240.	Profits (Losses) on investments in associates and companies subject to joint control	561	176	385	
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260.	Goodwill impairment	-	-1,065	-1,065	
270.	Profits (Losses) on disposal of investments	5	203	-198	-97.5
280.	**Income (Loss) before tax from continuing operations**	**3,455**	**854**	**2,601**	
290.	Taxes on income from continuing operations	-686	651	-1,337	
300.	**Income (Loss) after tax from continuing operations**	**2,769**	**1,505**	**1,264**	**84.0**
310.	Income (Loss) after tax from discontinued operations	169	1,195	-1,026	-85.9
320.	**Net income (loss)**	**2,938**	**2,700**	**238**	**8.8**
330.	Minority interests	-133	-147	-14	-9.5
340.	**Parent Company's net income (loss)**	**2,805**	**2,553**	**252**	**9.9**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between the restated consolidated balance sheet and the reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	31.12.2009	31.12.2008
Financial assets held for trading		69,825	61,060
	Caption 20 - Financial assets held for trading	*69,825*	*61,060*
Financial assets designated at fair value through profit and loss		21,965	19,720
	Caption 30 - Financial assets designated at fair value through profit and loss	*21,965*	*19,720*
Financial assets available for sale		35,895	29,274
	Caption 40 - Financial assets available for sale	*35,895*	*29,274*
Investments held to maturity		4,561	5,572
	Caption 50 - Investments held to maturity	*4,561*	*5,572*
Due from banks		43,242	48,766
	Caption 60 - Due from banks	*43,242*	*48,766*
Loans to customers		374,033	394,672
	Caption 70 - Loans to customers	*374,033*	*394,672*
Investments in associates and companies subject to joint control		3,059	2,775
	Caption 100 - Investments in associates and companies subject to joint control	*3,059*	*2,775*
Property, equipment and intangible assets		31,080	31,859
	Caption 120 - Property and equipment	*5,291*	*5,251*
	+ Caption 130 - Intangible assets	*25,789*	*26,608*
Tax assets		7,320	7,466
	Caption 140 - Tax assets	*7,320*	*7,466*
Non-current assets held for sale and discontinued operations		6,552	10,211
	Caption 150 - Non-current assets held for sale and discontinued operations	*6,552*	*10,211*
Other assets		27,312	24,758
	Caption 10 - Cash and cash equivalents	*8,412*	*7,835*
	+ Caption 160 - Other assets	*11,785*	*11,431*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*38*	*40*
	+ Caption 80 - Hedging derivatives	*7,008*	*5,386*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*69*	*66*
Total Assets	**Total Assets**	**624,844**	**636,133**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2009	31.12.2008
Due to banks		43,369	49,415
	Caption 10 - Due to banks	*43,369*	*49,415*
Due to customers and securities issued		396,057	397,517
	Caption 20 - Due to customers	*210,814*	*209,237*
	+ Caption 30 - Securities issued	*185,243*	*188,280*
Financial liabilities held for trading		42,249	45,845
	Caption 40 - Financial liabilities held for trading	*42,249*	*45,845*
Financial liabilities designated at fair value through profit and loss		25,887	25,119
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*25,887*	*25,119*
Tax liabilities		2,965	4,427
	Caption 80 - Tax liabilities	*2,965*	*4,427*
Liabilities associated with non-current assets held for sale and discontinued operations		9,723	11,897
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*9,723*	*11,897*
Other liabilities		22,447	26,157
	Caption 100 - Other liabilities	*15,755*	*19,863*
	+ Caption 60 - Hedging derivatives	*5,179*	*5,058*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,513*	*1,236*
Technical reserves		23,582	20,248
	Caption 130 - Technical reserves	*23,582*	*20,248*
Allowances for specific purpose		4,794	5,454
	Caption 110 - Employee termination indemnities	*1,374*	*1,487*
	Caption 120 - Allowances for risks and charges	*3,420*	*3,967*
Share capital		6,647	6,647
	Caption 190 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		43,659	41,166
	Caption 170 - Reserves	*10,565*	*8,075*
	Caption 180 - Share premium reserve	*33,102*	*33,102*
	– Caption 200 - Treasury shares	*-8*	*-11*
Valuation reserves		-430	-1,412
	Caption 140 - Valuation reserves	*-430*	*-1,412*
Minority interests		1,090	1,100
	Caption 210 - Minority interests	*1,090*	*1,100*
Net income (loss)		2,805	2,553
	Caption 220 - Net income (loss)	*2,805*	*2,553*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**624,844**	**636,133**

Reconciliation between the restated consolidated income statement and the reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated statement of income	2009	2008
Net interest income		10,486	11,518
	Caption 30 - Interest margin	*11,237*	*12,385*
	- Caption 30 (partial) - Contribution of insurance business	*-972*	*-1,196*
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*93*	*226*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-*	*7*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*250*	*241*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-91*	*-98*
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	*-31*	*-47*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		46	138
	Caption 70 - Dividend and similar income	*479*	*704*
	- Caption 70 (partial) - Contribution of insurance business	*-85*	*-132*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-370*	*-548*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*22*	*114*
Net fee and commission income		5,341	5,698
	Caption 60 - Net fee and commission income	*4,955*	*5,348*
	- Caption 60 (partial) - Contribution of insurance business	*399*	*350*
	+ Caption 220 (partial) - Other operating income (expenses)	*-*	*-*
	+ Caption 180 b) (partial) - Recovery of expenses on mortgage documentation	*-13*	*-*
Profits (Losses) on trading		1,122	-53
	Caption 80 - Profits (Losses) on trading	*855*	*-1,325*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-41*	*-143*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*320*	*80*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*12*	*16*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	*81*	*6*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*370*	*548*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-*	*-7*
	- Caption 80 (partial) - Contribution of insurance business	*-479*	*776*
	- Caption 100b (partial) Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	*4*	*-3*
	+ Caption 130 b) (partial) - Net losses / recoveries on impairment on financial assets available for sale	*-*	*-1*
Income from insurance business		437	400
	+ Caption 150 - Net insurance premiums	*6,579*	*1,773*
	+ Caption 160 - Other net insurance income (expense)	*-7,251*	*-1,575*
	+ Caption 30 (partial) - Contribution of insurance business	*972*	*1,196*
	+ Caption 60 (partial) - Contribution of insurance business	*-399*	*-350*
	+ Caption 70 (partial) - Contribution of insurance business	*85*	*132*
	+ Caption 80 (partial) - Contribution of insurance business	*479*	*-776*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-28*	*-*
Other operating income (expenses)		48	140
	Caption 220 - Other operating income (expenses)	*519*	*645*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-2*	*-12*
	- Caption 220 (partial) - Other operating income (expenses)	*-*	*-*
	+ Caption 180 b) (partial) - Recovery of deferred taxes	*-469*	*-493*
Operating income		**17,480**	**17,841**
Personnel expenses		-5,587	-5,713
	Caption 180 a) - Personnel expenses	*-5,788*	*-6,387*
	- Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*110*	*570*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other captions)	*91*	*98*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	*-*	*6*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-*	*-*
Other administrative expenses		-3,192	-3,333
	Caption 180 b) - Other administrative expenses	*-3,827*	*-4,125*
	- Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*151*	*287*
	- Caption 180 b) (partial) - Recovery of expenses on mortgage documentation	*13*	*-*
	+ Caption 180 b) (partial) - Recovery of deferred taxes	*469*	*493*
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses and taxes and duties)	*2*	*12*
Adjustments to property, equipment and intangible assets		-680	-805
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-413*	*-434*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-771*	*-1,738*
	- Caption 200 (partial) - Adjustments to property and equipment (merger and restructuring related charges)	*19*	*14*
	- Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	*22*	*48*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*4*	*1*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*18*	*2*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*-24*	*-33*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*465*	*1,335*
Operating costs		**-9,459**	**-9,851**
Operating margin		**8,021**	**7,990**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated statement of income	2009	2008
Operating margin		**8,021**	**7,990**
Goodwill impairment		-	-1,065
	Caption 260 - Goodwill impairment	*-*	*-1,065*
	- Caption 260 -(partial) - Goodwill impairment	*-*	*-*
Net provisions for risks and charges		-297	-318
	Caption 190 - Net provisions for risks and charges	*-330*	*-365*
	- Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	*2*	*-*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*31*	*47*
Net adjustments to loans		-3,706	-2,566
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-16*	*-50*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-3,448*	*-2,438*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-250*	*-241*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-7*	*126*
	- Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	*-*	*-16*
	- Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase cost allocation)	*15*	*53*
Net impairment losses on other assets		-235	-949
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-256*	*-963*
	- Caption 130 b) (partial) - Net losses / recoveries on impairment on financial assets available for sale	*-*	*1*
	+ Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	*-*	*16*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*-4*	*-1*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-18*	*-2*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	*-*	*-*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*28*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	*15*	*-*
Profits (Losses) on investments held to maturity and on other investments		545	266
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*561*	*176*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at	*-22*	*-114*
	+ Caption 270 - Profits (Losses) on disposal of investments	*5*	*203*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	*1*	*1*
Income (Loss) before tax from continuing operations		**4,328**	**3,358**
Taxes on income from continuing operations		-960	-108
	Caption 290 - Taxes on income from continuing operations	*-686*	*651*
	- Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*-105*	*-262*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*-169*	*-497*
Merger and restructuring related charges (net of taxes)		-214	-657
	+ Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*-110*	*-570*
	+ Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*-151*	*-287*
	+ Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	*-2*	*-*
	+ Caption 200 (partial) - Adjustments to intangible assets (merger and restructuring related charges))	*-19*	*-14*
	+ Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	*-22*	*-48*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	*-15*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*105*	*262*
Effect of purchase cost allocation (net of tax)		-385	-1,088
	+ Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*-93*	*-226*
	+ Caption 100 b) (partial) - Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	*-4*	*3*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*24*	*33*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*-465*	*-1,335*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*-15*	*-53*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	*-*	*-6*
	+ 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)	*169*	*497*
Income (Loss) after tax from discontinued operations		169	1,195
	Caption 310 - Income (Loss) after tax from discontinued operations	*169*	*1,195*
	+ Caption 260 - (partial) - Goodwill impairment	*-*	*-*
Minority interests		-133	-147
	Caption 330 - Minority interests	*-133*	*-147*
Net income	**Caption 340 - Parent Company's net income (loss)**	**2,805**	**2,553**

Reconciliation between Intesa Sanpaolo financial statements and restated Intesa Sanpaolo financial statements

Reconciliation between the balance sheet as at 31 December 2008 and the restated balance sheet as at 31 December 2008

(millions of euro)

Assets	31.12.2008 Published (*)	Discontinued operations (a)	Other changes: Geographical reorganisation 2008 (b)	Other changes: Geographical reorganisation 2009 (c)	Other changes: Contribution to Intesa Sanpaolo Group Services (d)	Other changes: Contribution of Investment Banking business to Banca IMI (e)	Other changes: Merger by incorporation of IMMIT (f)	Other changes: Other (g)	31.12.2008 Restated
10. Cash and cash equivalents	5,000	-	-	-	-	-	-	-	5,000
20. Financial assets held for trading	22,664	-	-	-50	-	-	-	-	22,614
30. Financial assets designated at fair value through profit and loss	253	-	-	-	-	-	87	-	340
40. Financial assets available for sale	7,360	-	-	-	-	-231	-	-	7,129
50. Investments held to maturity	2,097	-	-	-	-	-	-	-	2,097
60. Due from banks	114,879	-3,597	-	-114	-	-2,493	554	-554	108,675
70. Loans to customers	207,461	-116	-	-8,587	-	-4,342	-	-	194,416
80. Hedging derivatives	4,275	-	-	-	-	-	-	-	4,275
90. Fair value change of financial assets in hedged portfolios (+/-)	65	-	-	-	-	-	-	-	65
100. Equity investments	41,057	-	-	687	472	750	-1,038	-	41,928
110. Property and equipment	2,667	-	-	-9	-	-	108	-	2,766
120. Intangible assets	10,422	-158	-	-412	-699	-231	-	-	8,922
of which									
- goodwill	*6,870*	*-158*	-	*-341*	-	*-231*	-	-	*6,140*
130. Tax assets	4,192	-	-	-11	-35	-	-	-	4,146
a) current	*1,883*	-	-	*-6*	-	-	-	-	*1,877*
b) deferred	*2,309*	-	-	*-5*	*-35*	-	-	-	*2,269*
140. Non-current assets held for sale and discontinued operations	353	3,938	-	-	-	-	-	-	4,291
150. Other assets	6,582	-67	-85	-274	-395	-97	559	-	6,223
Total Assets	**429,327**	**-**	**-85**	**-8,770**	**-657**	**-6,644**	**270**	**-554**	**412,887**

(*) Historic data originally published in the 2008 Annual Report in euro.

(a) Restatement of discontinued operations, in accordance with IFRS 5, exclusively in the income statement.

(b) Geographical reorganisation in 2008 including the disposal of 186 branches to Cassa Risparmio del Veneto as of 27 September 2008, and the disposal of 168 branches to Banco di Napoli as of 10 November 2008.

(c) Geographical reorganisation in 2009 including: the contribution of 39 branches to Cassa di Risparmio di Bologna and 15 branches to Cassa di Risparmio di Forlì e della Romagna, legally effective as of 23 February 2009; the contribution of 95 branches to Banca di Credito Sardo, legally effective as of 9 March 2009; the contribution of Private Banking branches to Intesa Sanpaolo Private Banking, legally effective as of 2 March 2009; the contribution of 33 branches to Banca dell'Adriatico and 19 branches to Cassa di Risparmio del Friuli Venezia Giulia, legally effective as of 27 July 2009; the contribution of 11 branches to Cassa di Risparmio di Venezia and 7 branches to Banca di Trento e Bolzano, legally effective as of 14 September 2009.

(d) Contributions made on 20 April 2009 and 22 June 2009 to the consortium Intesa Sanpaolo Group Services.

(e) Contribution of the Investment Banking business unit to Banca IMI, legally effective as of 14 September 2009.

(f) Merger by incorporation of IMMIT, legally effective as of 1 October 2009; effective for accounting and tax purposes as of 1 January 2009.

(g) Off-setting of the contribution of IMMIT against intragroup transactions.

(millions of euro)

Liabilities and Shareholders' Equity	31.12.2008 Published (*)	Liabilities associated with discontinued operations (a)	Other changes: Geographical reorganisation 2008 (b)	Other changes: Geographical reorganisation 2009 (c)	Other changes: Contribution to Intesa Sanpaolo Group Services (d)	Other changes: Contribution of Investment Banking business to Banca IMI (e)	Other changes: Merger by incorporation of IMMIT (f)	Other changes: Other (g)	31.12.2008 Restated
10. Due to banks	87,689	-213	-	-2,937	-	-5,924	-	-	78,615
20. Due to customers	130,351	-3,406	-	-5,444	-	-677	-	-554	120,270
30. Securities issued	130,497	-	-	-70	-	-	-	-	130,427
40. Financial liabilities held for trading	15,913	-	-	-52	-	-	-	-	15,861
50. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-
60. Hedging derivatives	2,536	-	-	-	-	-	-	-	2,536
70. Fair value change of financial liabilities in hedged portfolios (+/-)	1,058	-	-	-	-	-	-	-	1,058
80. Tax liabilities	2,079	-	-	-26	-24	-	94	-	2,123
a) current	*1,131*	-	-	-	-	-	-	-	*1,131*
b) deferred	*948*	-	-	*-26*	*-24*	-	*94*	-	*992*
90. Liabilities associated with non-current assets held for sale and discontinued operations	297	3,738	-	-	-	-	-	-	4,035
100. Other liabilities	9,936	-118	-	-61	-376	-19	6	-	9,368
110. Employee termination indemnities	861	-1	-	-53	-	-1	-	-	806
120. Allowances for risks and charges	2,391	-	-	-20	-257	-1	1	-	2,114
a) post employment benefits	*296*	-	-	-	*-165*	-	-	-	*131*
b) other allowances	*2,095*	-	-	*-20*	*-92*	*-1*	*1*	-	*1,983*
130. Valuation reserves	649	-	-	-	-	-	-	-	649
140. Redeemable shares	-	-	-	-	-	-	-	-	-
150. Equity instruments	-	-	-	-	-	-	-	-	-
160. Reserves	4,083	-	-	-	-	-	-31	-	4,052
170. Share premium reserve	33,271	-	-	-	-	-	-	-	33,271
180. Share capital	6,647	-	-	-	-	-	-	-	6,647
190. Treasury shares (-)	-	-	-	-	-	-	-	-	-
200. Net income (loss)	1,069	-	-85	-107	-	-22	200	-	1,055
Total Liabilities and Shareholders' Equity	**429,327**	**-**	**-85**	**-8,770**	**-657**	**-6,644**	**270**	**-554**	**412,887**

(*) Historic data originally published in the 2008 Annual Report in euro.

(a) Restatement of discontinued operations, in accordance with IFRS 5, exclusively in the income statement.

(b) Geographical reorganisation in 2008 including the disposal of 186 branches to Cassa Risparmio del Veneto as of 27 September 2008, and the disposal of 168 branches to Banco di Napoli as of 10 November 2008.

(c) Geographical reorganisation in 2009 including: the contribution of 39 branches to Cassa di Risparmio di Bologna and 15 branches to Cassa di Risparmio di Forlì e della Romagna, legally effective as of 23 February 2009; the contribution of 95 branches to Banca di Credito Sardo, legally effective as of 9 March 2009; the contribution of Private Banking branches to Intesa Sanpaolo Private Banking, legally effective as of 2 March 2009; the contribution of 33 branches to Banca dell'Adriatico and 19 branches to Cassa di Risparmio del Friuli Venezia Giulia, legally effective as of 27 July 2009; the contribution of 11 branches to Cassa di Risparmio di Venezia and 7 branches to Banca di Trento e Bolzano, legally effective as of 14 September 2009.

(d) Contributions made on 20 April 2009 and 22 June 2009 to the consortium Intesa Sanpaolo Group Services.

(e) Contribution of the Investment Banking business unit to Banca IMI, legally effective as 14 September 2009.

(f) Merger by incorporation of IMMIT, legally effective as of 1 October 2009; effective for accounting and tax purposes as of 1 January 2009.

(g) Off-setting of the contribution of IMMIT against intragroup transactions.

Reconciliation between the income statement as at 31 December 2008 and the income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

(millions of euro)

		2008 Published (*)	Impact of IFRS 5 adoption Contribution of the Securities Services business unit (a)	Restatements due to Bank of Italy update No. 262/2009 (b)	2008
10.	Interest and similar income	17,414	-357	-	17,057
20.	Interest and similar expense	-12,563	283	-	-12,280
30.	**Interest margin**	**4,851**	**-74**	**-**	**4,777**
40.	Fee and commission income	3,127	-128	-	2,999
50.	Fee and commission expense	-378	19	-	-359
60.	**Net fee and commission income**	**2,749**	**-109**	**-**	**2,640**
70.	Dividend and similar income	1,252	-	-	1,252
80.	Profits (Losses) on trading	-881	-	-	-881
90.	Fair value adjustments in hedge accounting	-93	-	-	-93
100.	Profits (Losses) on disposal or repurchase of:	111	-	-	111
	a) loans	*1*	-	-	*1*
	b) financial assets available for sale	*98*	-	-	*98*
	c) investments held to maturity	-	-	-	-
	d) financial liabilities	*12*	-	-	*12*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-38	-	-	-38
120.	**Net interest and other banking income**	**7,951**	**-183**	**-**	**7,768**
130.	Net losses / recoveries on impairment	-1,307	-	-	-1,307
	a) loans	*-1,035*	-	-	*-1,035*
	b) financial assets available for sale	*-324*	-	-	*-324*
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*52*	-	-	*52*
140.	**Net income from banking activities**	**6,644**	**-183**	**-**	**6,461**
150.	Administrative expenses	-5,715	55	-279	-5,939
	a) personnel expenses	*-3,460*	*7*	-	*-3,453*
	b) other administrative expenses	*-2,255*	*48*	*-279*	*-2,486*
160.	Net provisions for risks and charges	-246	-	-	-246
170.	Net adjustments to / recoveries on property and equipment	-252	-	-	-252
180.	Net adjustments to / recoveries on intangible assets	-553	2	-	-551
190.	Other operating expenses (income)	910	-32	279	1,157
200.	**Operating expenses**	**-5,856**	**25**	**-**	**-5,831**
210.	Profits (Losses) on equity investments	-1,457	-	-	-1,457
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	275	-	-	275
250.	**Income (Loss) before tax from continuing operations**	**-394**	**-158**	**-**	**-552**
260.	Taxes on income from continuing operations	676	53	-	729
270.	**Income (Loss) after tax from continuing operations**	**282**	**-105**	**-**	**177**
280.	Income (Loss) after tax from discontinued operations	787	105	-	892
290.	**Net income (loss)**	**1,069**	**-**	**-**	**1,069**

(*) Historic data originally published in the 2008 Annual Report in euro.

(a) Effects on the income statement of the contribution of the Securities Services business unit to Intesa Sanpaolo Servizi Transazionali, planned for April 2010.

(b) Reclassifications due to amendments to Bank of Italy Circular No. 262 of 22 December 2005, introduced in update No. 1 issued on 18 November 2009.

Reconciliation between the income statement for 2008 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated income statement for 2008

(millions of euro)

	2008	Changes							2008
		Geographical reorganisa-tion 2008 (a)	Geographical reorganisa-tion 2009 (b)	Contribution to Intesa Sanpaolo Group Services (c)	Contribution of Investment Banking business to Banca IMI (d)	Merger by incorporation of IMMIT (e)	Other (f)	Total	Restated
10. Interest and similar income	17,057	-562	-446	-	-87	2	-	-1,093	15,964
20. Interest and similar expense	-12,280	206	174	-	67	-	-	447	-11,833
30. Interest margin	**4,777**	**-356**	**-272**	**-**	**-20**	**2**	**-**	**-646**	**4,131**
40. Fee and commission income	2,999	-162	-157	-	-21	-	-	-340	2,659
50. Fee and commission expense	-359	-	-	-	-	-6	-	-6	-365
60. Net fee and commission income	**2,640**	**-162**	**-157**	**-**	**-21**	**-6**	**-**	**-346**	**2,294**
70. Dividend and similar income	1,252	-	-	-	-	-	-	-	1,252
80. Profits (Losses) on trading	-881	-	-	-	-	-	-	-	-881
90. Fair value adjustments in hedge accounting	-93	-	-	-	-	-	-	-	-93
100. Profits (Losses) on disposal or repurchase of:	111	-	-	-	-	-	-	-	111
a) loans	*1*	-	-	-	-	-	-	-	*1*
b) financial assets available for sale	*98*	-	-	-	-	-	-	-	*98*
c) investments held to maturity	-	-	-	-	-	-	-	-	-
d) financial liabilities	*12*	-	-	-	-	-	-	-	*12*
110. Profits (Losses) on financial assets and liabilities designated at fair value	-38	-	-	-	-	12	-	12	-26
120. Net interest and other banking income	**7,768**	**-518**	**-429**	**-**	**-41**	**8**	**-**	**-980**	**6,788**
130. Net losses / recoveries on impairment	-1,307	84	74	-	-	-	-	158	-1,149
a) loans	*-1,035*	*84*	*74*	-	-	-	-	*158*	*-877*
b) financial assets available for sale	*-324*	-	-	-	-	-	-	-	*-324*
c) investments held to maturity	-	-	-	-	-	-	-	-	-
d) other financial activities	*52*	-	-	-	-	-	-	-	*52*
140. Net income from banking activities	**6,461**	**-434**	**-355**	**-**	**-41**	**8**	**-**	**-822**	**5,639**
150. Administrative expenses	-5,939	204	137	336	6	-15	42	710	-5,229
a) personnel expenses	*-3,453*	*168*	*104*	*396*	*3*	*-3*	-	*668*	*-2,785*
b) other administrative expenses	*-2,486*	*36*	*33*	*-60*	*3*	*-12*	*42*	*42*	*-2,444*
160. Net provisions for risks and charges	-246	-	-	-	-	-	-	-	-246
170. Net adjustments to / recoveries on property and equipment	-252	-	-	93	-	-7	-	86	-166
180. Net adjustments to / recoveries on intangible assets	-551	-	-	249	-	-	-	249	-302
190. Other operating expenses (income)	1,157	77	41	-667	-	64	-42	-527	630
200. Operating expenses	**-5,831**	**281**	**178**	**11**	**6**	**42**	**-**	**518**	**-5,313**
210. Profits (Losses) on equity investments	-1,457	-	-	-	-	-	-	-	-1,457
220. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-
230. Goodwill impairment	-	-	-	-	-	-	-	-	-
240. Profits (Losses) on disposal of investments	275	-	-	-	-	232	-	232	507
250. Income (Loss) before tax from continuing operations	**-552**	**-153**	**-177**	**11**	**-35**	**282**	**-**	**-72**	**-624**
260. Taxes on income from continuing operations	729	68	70	-11	13	-82	-	58	787
270. Income (Loss) after tax from continuing operations	**177**	**-85**	**-107**	**-**	**-22**	**200**	**-**	**-14**	**163**
280. Income (Loss) after tax from discontinued operations	892	-	-	-	-	-	-	-	892
290. Net income (loss)	**1,069**	**-85**	**-107**	**-**	**-22**	**200**	**-**	**-14**	**1,055**

(a) Geographical reorganisation in 2008 including the disposal of 186 branches to Cassa Risparmio del Veneto as of 27 September 2008, and the disposal of 168 branches to Banco di Napoli as of 10 November 2008.

(b) Geographical reorganisation in 2009 including: the contribution of 39 branches to Cassa di Risparmio di Bologna and 15 branches to Cassa di Risparmio di Forlì e della Romagna, legally effective as of 23 February 2009; the contribution of 95 branches to Banca di Credito Sardo, legally effective as of 9 March 2009; the contribution of Private Banking branches to Intesa Sanpaolo Private Banking, legally effective as of 2 March 2009; the contribution of 33 branches to Banca dell'Adriatico and 19 branches to Cassa di Risparmio del Friuli Venezia Giulia, legally effective as of 27 July 2009; the contribution of 11 branches to Cassa di Risparmio di Venezia and 7 branches to Banca di Trento e Bolzano, legally effective as of 14 September 2009.

(c) Contributions made on 20 April 2009 and 22 June 2009 to the consortium Intesa Sanpaolo Group Services.

(d) Contribution of the Investment Banking business unit to Banca IMI, legally effective as of 14 September 2009.

(e) Merger by incorporation of IMMIT, legally effective as of 1 October 2009; effective for accounting and tax purposes as of 1 January 2009.

(f) Off-setting of the contribution of IMMIT against intragroup transactions.

Reconciliation between the income statement for 2009 and the restated income statement for 2009

The income statement for 2009 did not require restatements

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

(millions of euro)

Assets		31.12.2009	31.12.2008 restated	Changes amount	Changes %
10.	Cash and cash equivalents	5,973	5,000	973	19.5
20.	Financial assets held for trading	29,653	22,614	7,039	31.1
30.	Financial assets designated at fair value through profit and loss	333	340	-7	-2.1
40.	Financial assets available for sale	11,995	7,129	4,866	68.3
50.	Investments held to maturity	1,305	2,097	-792	-37.8
60.	Due from banks	116,067	108,675	7,392	6.8
70.	Loans to customers	178,550	194,416	-15,866	-8.2
80.	Hedging derivatives	5,489	4,275	1,214	28.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	67	65	2	3.1
100.	Equity investments	42,327	41,928	399	1.0
110.	Property and equipment	2,407	2,766	-359	-13.0
120.	Intangible assets	9,239	8,922	317	3.6
	of which				
	- goodwill	*6,160*	*6,140*	*20*	*0.3*
130.	Tax assets	4,132	4,146	-14	-0.3
	a) current	*1,417*	*1,877*	*-460*	*-24.5*
	b) deferred	*2,715*	*2,269*	*446*	*19.7*
140.	Non-current assets held for sale and discontinued operations	6,450	4,291	2,159	50.3
150.	Other assets	7,660	6,223	1,437	23.1
Total Assets		**421,647**	**412,887**	**8,760**	**2.1**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2009	31.12.2008 restated	Changes amount	Changes %
10.	Due to banks	93,160	78,615	14,545	18.5
20.	Due to customers	112,943	120,270	-7,327	-6.1
30.	Securities issued	137,513	130,427	7,086	5.4
40.	Financial liabilities held for trading	10,463	15,861	-5,398	-34.0
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	
60.	Hedging derivatives	2,127	2,536	-409	-16.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,166	1,058	108	10.2
80.	Tax liabilities	707	2,123	-1,416	-66.7
	a) current	*271*	*1,131*	*-860*	*-76.0*
	b) deferred	*436*	*992*	*-556*	*-56.0*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	5,721	4,035	1,686	41.8
100.	Other liabilities	7,725	9,368	-1,643	-17.5
110.	Employee termination indemnities	602	806	-204	-25.3
120.	Allowances for risks and charges	1,735	2,114	-379	-17.9
	a) post employment benefits	*264*	*131*	*133*	
	b) other allowances	*1,471*	*1,983*	*-512*	*-25.8*
130.	Valuation reserves	986	649	337	51.9
140.	Redeemable shares	-	-	-	
150.	Equity instruments	-	-	-	
160.	Reserves	5,038	4,052	986	24.3
170.	Share premium reserve	33,271	33,271	-	-
180.	Share capital	6,647	6,647	-	-
190.	Treasury shares (-)	-	-	-	
200.	Net income (loss)	1,843	1,055	788	74.7
Total Liabilities and Shareholders' Equity		**421,647**	**412,887**	**8,760**	**2.1**

Restated Intesa Sanpaolo income statement

(millions of euro)

		2009	2008 restated	Changes amount	Changes %
10.	Interest and similar income	10,606	15,964	-5,358	-33.6
20.	Interest and similar expense	-7,135	-11,833	-4,698	-39.7
30.	**Interest margin**	**3,471**	**4,131**	**-660**	**-16.0**
40.	Fee and commission income	2,406	2,659	-253	-9.5
50.	Fee and commission expense	-287	-365	-78	-21.4
60.	**Net fee and commission income**	**2,119**	**2,294**	**-175**	**-7.6**
70.	Dividend and similar income	1,379	1,252	127	10.1
80.	Profits (Losses) on trading	181	-881	1,062	
90.	Fair value adjustments in hedge accounting	20	-93	113	
100.	Profits (Losses) on disposal or repurchase of	50	111	-61	-55.0
	a) loans	*4*	*1*	*3*	
	b) financial assets available for sale	*35*	*98*	*-63*	*-64.3*
	c) investments held to maturity	*-*	*-*	*-*	*-*
	d) financial liabilities	*11*	*12*	*-1*	*-8.3*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	49	-26	75	
120.	**Net interest and other banking income**	**7,269**	**6,788**	**481**	**7.1**
130.	Net losses / recoveries on impairment	-1,313	-1,149	164	14.3
	a) loans	*-1,207*	*-877*	*330*	*37.6*
	b) financial assets available for sale	*-68*	*-324*	*-256*	*-79.0*
	c) investments held to maturity	*-*	*-*	*-*	*-*
	d) other financial activities	*-38*	*52*	*-90*	
140.	**Net income from banking activities**	**5,956**	**5,639**	**317**	**5.6**
150.	Administrative expenses	-4,668	-5,229	*-561*	*-10.7*
	a) personnel expenses	*-2,404*	*-2,785*	*-381*	*-13.7*
	b) other administrative expenses	*-2,264*	*-2,444*	*-180*	*-7.4*
160.	Net provisions for risks and charges	-164	-246	-82	-33.3
170.	Net adjustments to / recoveries on property and equipment	-143	-166	-23	-13.9
180.	Net adjustments to / recoveries on intangible assets	-141	-302	-161	-53.3
190.	Other operating expenses (income)	669	630	39	6.2
200.	**Operating expenses**	**-4,447**	**-5,313**	**-866**	**-16.3**
210.	Profits (Losses) on equity investments	27	-1,457	1,484	
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	1	507	-506	-99.8
250.	**Income (Loss) before tax from continuing operations**	**1,537**	**-624**	**2,161**	
260.	Taxes on income from continuing operations	205	787	-582	-74.0
270.	**Income (Loss) after tax from continuing operations**	**1,742**	**163**	**1,579**	
280.	Income (Loss) after tax from discontinued operations	101	892	-791	-88.7
290.	**Net income (loss)**	**1,843**	**1,055**	**788**	**74.7**

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

(millions of euro)

Captions of the reclassified balance sheet - Assets	Captions of the restated balance sheet - Assets	31.12.2009	31.12.2008
Financial assets held for trading		29,653	22,614
	Caption 20 - Financial assets held for trading	*29,653*	*22,614*
Financial assets designated at fair value through profit and loss		333	340
	Caption 30 - Financial assets designated at fair value through profit and loss	*333*	*340*
Financial assets available for sale		11,995	7,129
	Caption 40 - Financial assets available for sale	*11,995*	*7,129*
Investments held to maturity		1,305	2,097
	Caption 50 - Investments held to maturity	*1,305*	*2,097*
Due from banks		116,067	108,675
	Caption 60 - Due from banks	*116,067*	*108,675*
Loans to customers		178,550	194,416
	Caption 70 - Loans to customers	*178,550*	*194,416*
Equity investments		42,327	41,928
	Caption 100 - Equity investments	*42,327*	*41,928*
Property, equipment and intangible assets		11,646	11,688
	Caption 110 - Property and equipment	*2,407*	*2,766*
	+ Caption 120 - Intangible assets	*9,239*	*8,922*
Tax assets		4,132	4,146
	Caption 130 - Tax assets	*4,132*	*4,146*
Non-current assets held for sale and discontinued operations		6,450	4,291
	Caption 140 - Non-current assets held for sale and discontinued operations	*6,450*	*4,291*
Other assets		19,189	15,563
	Caption 10 - Cash and cash equivalents	*5,973*	*5,000*
	+ Caption 150 - Other assets	*7,660*	*6,223*
	+ Caption 80 - Hedging derivatives	*5,489*	*4,275*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*67*	*65*
Total Assets	**Total Assets**	**421,647**	**412,887**

Captions of the reclassified balance sheet - Liabilities and Shareholders' Equity	Captions of the restated balance sheet - Liabilities and Shareholders' Equity	31.12.2009	31.12.2008
Due to banks		93,160	78,615
	Caption 10 - Due to banks	*93,160*	*78,615*
Due to customers and securities issued		250,456	250,697
	Caption 20 - Due to customers	*112,943*	*120,270*
	+ Caption 30 - Securities issued	*137,513*	*130,427*
Financial liabilities held for trading		10,463	15,861
	Caption 40 - Financial liabilities held for trading	*10,463*	*15,861*
Financial liabilities designated at fair value through profit and loss		-	-
	Caption 50 - Financial liabilities designated at fair value through profit and loss	-	-
Tax liabilities		707	2,123
	Caption 80 - Tax liabilities	*707*	*2,123*
Liabilities associated with non-current assets held for sale and discontinued operations		5,721	4,035
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*5,721*	*4,035*
Other liabilities		11,018	12,962
	Caption 100 - Other liabilities	*7,725*	*9,368*
	+ Caption 60 - Hedging derivatives	*2,127*	*2,536*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,166*	*1,058*
Allowances for specific purpose		2,337	2,920
	Caption 110 - Employee termination indemnities	*602*	*806*
	Caption 120 - Allowances for risks and charges	*1,735*	*2,114*
Share capital		6,647	6,647
	Caption 180 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		38,309	37,323
	Caption 160 - Reserves	*5,038*	*4,052*
	Caption 170 - Share premium reserve	*33,271*	*33,271*
	– Caption 190 - Treasury shares	-	-
Valuation reserves		986	649
	Caption 130 - Valuation reserves	*986*	*649*
Net income (loss)		1,843	1,055
	Caption 200 - Net income (loss)	*1,843*	*1,055*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**421,647**	**412,887**

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

(millions of euro)

Captions of the reclassified income statement	Captions of the restated income statement	2009	2008
Net interest income		3,530	4,250
	Caption 30 - Interest margin	*3,471*	*4,131*
	- *Caption 10 (partial) - Interest income (Effect of purchase cost allocation)*	*20*	*92*
	+ *Caption 70 (partial) - Dividend and similar income related to financing transactions*	-	-
	+ *Caption 80 (partial) - Components of the profits (losses) on trading relating to net interests*	-	-
	+ *Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*104*	*107*
	+ *Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)*	*-47*	*-48*
	+ *Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*-18*	*-32*
Dividends		1,349	1,185
	Caption 70 - Dividend and similar income	*1,379*	*1,252*
	- *Caption 70 (partial) - Dividend and similar income related to financing transactions*	-	-
	- *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*-30*	*-67*
Net fee and commission income		2,113	2,294
	Caption 60 - Net fee and commission income	*2,119*	*2,294*
	- *Caption 150 b) (partial) - Other administrative expenses (Commission income)*	*-6*	-
Profits (losses) on trading		326	-823
	Caption 80 - Profits (Losses) on trading	*181*	*-881*
	+ *Caption 90 - Fair value adjustments in hedge accounting*	*20*	*-93*
	+ *Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale*	*35*	*98*
	+ *Caption 100 b) (partial) - Financial assets available for sale (Effect of purchase cost allocation)*	-	-
	+ *Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities*	*11*	*12*
	+ *Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value*	*49*	*-26*
	+ *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*30*	*67*
	- *Caption 80 (partial) - Components of the profits (losses) on trading relating to net interests*	-	-
Other operating income (expenses)		391	301
	Caption 190 - Other operating income (expenses)	*669*	*630*
	- *Caption 190 (partial) - Other operating income (expenses) (Recovery of merger and restructuring related charges)*	*-13*	*-16*
	- *Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses)*	*-265*	*-313*
Operating income		**7,709**	**7,207**
Personnel expenses		-2,316	-2,367
	Caption 150 a) - Personnel expenses	*-2,404*	*-2,785*
	- *Caption 150 a) (partial) - Personnel expenses (Merger and restructuring related charges)*	*41*	*370*
	- *Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)*	*47*	*48*
Other administrative expenses		-1,844	-2,025
	Caption 150 b) - Other administrative expenses	*-2,264*	*-2,444*
	- *Caption 150 b) (partial) - Other administrative expenses (Merger and restructuring related charges)*	*149*	*106*
	- *Caption 150 b) (partial) - Other administrative expenses (Commission income)*	*6*	-
	+ *Caption 190 (partial) Other operating income (expenses) (Recovery of expenses)*	*265*	*313*
Adjustments to property, equipment and intangible assets		-191	-252
	Caption 170 - Net adjustments to/recoveries on property and equipment	*-143*	*-166*
	- *Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase cost allocation)*	*-15*	*-25*
	+ *Caption 180 - Net adjustments to/recoveries on intangible assets*	*-141*	*-302*
	- *Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)*	*101*	*233*
	- *Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)*	-	-
	- *Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)*	-	-
	- *Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)*	*3*	*14*
	- *Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)*	*4*	*-6*
Operating costs		**-4,351**	**-4,644**
Operating margin		**3,358**	**2,563**

(millions of euro)

Captions of the reclassified income statement		Captions of the restated income statement	2009	2008
Operating margin			**3,358**	**2,563**
Goodwill impairment			-	-
		Caption 230 - Goodwill impairment	*-*	*-*
Net provisions for risks and charges			-146	-214
		Caption 160 - Net provisions for risks and charges	*-164*	*-246*
	-	*Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*18*	*32*
Net adjustments to loans			-1,345	-931
		Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*4*	*1*
	-	*Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase cost allocation)*	*-*	*-*
	+	*Caption 130 a) - Net losses/recoveries on impairment of loans*	*-1,207*	*-877*
	-	*Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*-104*	*-107*
	+	*Caption 130 d) - Net losses/recoveries on impairment of other financial activities*	*-38*	*52*
Net impairment losses on other assets			-68	-324
		Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-68*	*-324*
	+	*Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity*	*-*	*-*
	+	*Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)*	*-*	*-*
	+	*Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)*	*-*	*-*
Profits (Losses) on investments held to maturity and on other investments			28	-950
		Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+	*Caption 240 - Profits (Losses) on disposal of investments*	*1*	*507*
	+	*Caption 210 - Profits (Losses) on equity investments*	*27*	*-1,457*
	+	*Caption 210 -(partial) - Profits (Losses) on equity investments*	*-*	*-*
	+	*Caption 220 - Valuation differences on property, equipment and intangible assets measured at fair value*	*-*	*-*
Income (Loss) before tax from continuing operations			**1,827**	**144**
Taxes on income from continuing operations			114	557
		Caption 260 - Taxes on income from continuing operations	*205*	*787*
	-	*Caption 260 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)*	*-57*	*-134*
	-	*Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)*	*-34*	*-96*
Merger and restructuring related charges (net of taxes)			-127	-334
	+	*Caption 150 a) (partial) - Personnel expenses (Merger and restructuring related charges)*	*-41*	*-370*
	+	*Caption 150 b) (partial) - Other administrative expenses (Merger and restructuring related charges)*	*-149*	*-106*
	+	*Caption 260 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)*	*57*	*134*
	+	*Caption 190 (partial) - Other operating income (expenses) (Recovery of merger and restructuring related charges)*	*13*	*16*
	-	*Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)*	*-3*	*-14*
	-	*Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)*	*-4*	*6*
Effect of purchase cost allocation (net of tax)			-72	-204
	+	*Caption 10 (partial) - Interest income (Effect of purchase cost allocation)*	*-20*	*-92*
	+	*Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)*	*-*	*-*
	+	*Caption 100 b) (partial) - Financial assets available for sale (Effect of purchase cost allocation)*	*-*	*-*
	+	*Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase cost allocation)*	*15*	*25*
	+	*Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)*	*-101*	*-233*
	+	*Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)*	*34*	*96*
Income (Loss) after tax from discontinued operations			101	892
		Caption 280 - Income (Loss) after tax from discontinued operations	101	892
	-	*Caption 210 (partial) Profits (Losses) on equity investments*	-	-
Net income		**Caption 290 - Net income (loss)**	**1,843**	**1,055**

Other attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2009

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time adoption of International Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009(*) -254/2009 - 494/2009(***) - 495/2009(***) -1136/2009(*) - 1164/2009(*)
IFRS 2	Share-based payment	1126/2008 mod. 1261/2008 - 495/2009(***)
IFRS 3	Business combinations	1126/2008 mod. 495/2009(***)
IFRS 4	Insurance contracts	1126/2008 mod. 1274/2008 - 494/2009(***) - 1165/2009
IFRS 5	Non-current assets held for sale and discontinued operations	1126/2008 mod. 1274/2008 - 70/2009(*) - 494/2009(***) - 1142/2009(*)
IFRS 6	Exploration for and evaluation of mineral resources	1126/2008
IFRS 7	Financial instruments: disclosures	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009(***) - 824/2009 - 1165/2009
IFRS 8	Operating segments	1126/2008 mod. 1274/2008
IAS 1	Presentation of financial statements	1274/2008 mod. 53/2009 - 70/2009 - 494/2009(***)
IAS 2	Inventories	1126/2008 - 70/2009
IAS 7	Statement of cash flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009(***)
IAS 8	Accounting policies, changes in accounting estimates and errors	1126/2008 mod. 1274/2008 - 70/2009
IAS 10	Events after the reporting period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009(*)
IAS 11	Construction contracts	1126/2008 mod. 1260/2008 - 1274/2008
IAS 12	Income taxes	1126/2008 mod. 1274/2008 - 495/2009(***)
IAS 16	Property, plant and equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009(***)
IAS 17	Leases	1126/2008
IAS 18	Revenue	1126/2008 mod. 69/2009
IAS 19	Employee benefits	1126/2008 mod. 1274/2008 - 70/2009
IAS 20	Accounting for government grants and disclosure of government assistance	1126/2008 mod. 1274/2008 - 70/2009
IAS 21	The effects of changes in foreign exchange rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009(***)
IAS 23	Borrowing costs (revised 2007)	1260/2008 mod. 70/2009
IAS 24	Related party disclosures	1126/2008 mod. 1274/2008
IAS 26	Accounting and reporting by retirement benefit plans	1126/2008
IAS 27	Consolidated and separate financial statements	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 494/2009(***)
IAS 28	Investments in associates	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009(***) - 495/2009(***)
IAS 29	Financial reporting in hyperinflationary economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 31	Interests in joint ventures	1126/2008 mod. 70/2009 - 494/2009(***)
IAS 32	Financial instruments: presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009(***) - 495/2009(***) - 1293/2009(**)
IAS 33	Earnings per share	1126/2008 mod. 1274/2008 - 495/2009(***) - 494/2009(***)
IAS 34	Interim financial reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009(***)
IAS 36	Impairment of assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009(***)
IAS 37	Provisions, contingent liabilities and contingent assets	1126/2008 mod. 1274/2008 - 495/2009(***)
IAS 38	Intangible assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009(***)
IAS 39	Financial instruments: recognition and measurement (except for certain rules on hedge accounting)	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009(***) - 495/2009(***) - 824/2009 - 839/2009(*) - 1171/2009
IAS 40	Investment property	1126/2008 mod. 1274/2008 - 70/2009
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' shares in cooperative entities and similar instruments	1126/2008 mod. 53/2009
IFRIC 4	Determining whether an arrangement contains a lease	1126/2008 mod. 254/2009
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1126/2008
IFRIC 6	Liabilities arising from participating in a specific market - Waste electrical and electronic equipment	1126/2008
IFRIC 7	Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies	1126/2008 mod. 1274/2008
IFRIC 8	Scope of IFRS 2	1126/2008
IFRIC 9	Reassessment of embedded derivatives	1126/2008 mod. 495/2009(***) - 1171/2009
IFRIC 10	Interim financial reporting and impairment	1126/2008 mod. 1274/2008
IFRIC 11	Group and treasury share transactions	1126/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1263/2008 mod. 1274/2008
IFRIC 15	Agreements for the Construction of Real Estate	636/2009(*)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009(*)
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009(*)
IFRIC 18	Transfers of Assets from Customers	1164/2009(*)
SIC 7	Introduction of the euro	1126/2008 mod. 1274/2008 - 494/2009(***)
SIC 10	Government assistance - No specific relation to operating activities	1126/2008 mod. 1274/2008
SIC 12	Consolidation - special purpose entities	1126/2008
SIC 13	Jointly controlled entities - Non-monetary contributions by venturers	1126/2008 mod. 1274/2008
SIC 15	Operating leases - Incentives	1126/2008 mod. 1274/2008
SIC 21	Income taxes - Recovery of revalued non-depreciable assets	1126/2008
SIC 25	Income taxes - Changes in the tax status of an entity or its shareholders	1126/2008 mod. 1274/2008
SIC 27	Evaluating the substance of transactions involving the legal form of a lease	1126/2008
SIC 29	Service concession arrangements: disclosures	1126/2008 mod. 1274/2008 - 254/2009
SIC 31	Revenue - Barter transactions involving advertising services	1126/2008
SIC 32	Intangible assets - Web site costs	1126/2008 mod. 1274/2008

(*) Companies apply this regulation at the latest as of the first financial year starting after 31 December 2009.

(**) Companies apply this regulation at the latest as of the first financial year starting after 31 December 2010.

(***) Intesa Sanpaolo decided to avail of the possibility of early application of this regulation for 2009.

Statement of Intesa Sanpaolo property, equipment and financial assets subject to revaluation

(millions of euro)

	Revaluations						Total
	Royal Law Decree 1729 of 19.10.1937	Law 823 of 19.12.1973	Law 576 of 02.12.1975	Law 72 of 19.03.1983	Law 413 of 30.12.1991	Law 218 of 30.07.1990	
Real estate assets	**-**	**21**	**15**	**57**	**185**	**198**	**476**
Equity investments	**-**	**-**	**-**	**-**	**-**	**391**	**391**
a) Subsidiaries	-	-	-	-	-	43	43
b) Other	-	-	-	-	-	348	348
Total	**-**	**21**	**15**	**57**	**185**	**589**	**867**

Statement of Intesa Sanpaolo pension funds

Statement of the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo

For the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo – established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo and transferred to Esatri Esazioni Tributi S.p.A. - accounting records for the related transactions are segregated in accordance with corporate agreements requiring that gains on its own investments are provisioned, and with regulations contained in Italian Legislative Decree no. 124 of 21 April 1993, reviewed by Law no. 335 of 8 August 1995.
Based on the corporate agreements and special authorisation of the Bank of Italy, in 2002 procedures were completed for transformation of treatment from defined benefit to defined contribution. Then according to individual requests from all the personnel in service, the related individual positions were transferred to other external pension funds. As a result of these transactions the fund once again began to operate as a defined benefit plan for personnel already retired as at 31 December 2000.
As at 31 December 2008 the balance of the fund was 29 million euro. Following utilisation, deposits and provisioning, as at 31 December 2009 the fund recorded a balance of 27 million euro, with a decrease of 2 million euro.
The actuarial assumption is performed on an annual basis.

Financial position of the fund

(millions of euro)

Bonds	16
Accrued income on bonds	-
Cash equivalents	11
Total	**27**

Fund cash inflows

(millions of euro)

Return on investments	-
Provisions in the year	1
Total cash inflows	**1**

Fund cash outflows

(millions of euro)

Past benefits paid	-3
Administrative expenses and other	-
Total cash outflows	**-3**

Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo", final regulation approved on 8 March 1996

The fund's resources for personnel formerly employed by Mediocredito Lombardo are used as part of the Bank's securities.
The following changes were recorded during the year:

(millions of euro)

Balance as at 31 December 2008	15
Benefits paid in the year	-1
Provisions allocated in 2009	1
Termination section assets	-
Balance as at 31 December 2009	**15**

Annual actuarial tests to confirm the Fund's adequacy to meet its commitments have proved a technical and financial balance.
As from 24 April 1993, on entry into force of the Italian Law on Pension Funds (Legislative Decree no. 124 of 21 April 1993), new recruits to Mediocredito Lombardo were no longer registered to the supplementary pension envisaged from this fund.
An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position. As at 31 December 2009 the only section of the Fund with a recorded value is that for retired employees.

Supplementary pension fund for top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana"

The fund refers to integrative provisions allocated up to a certain date on the basis of specific bilateral agreements in favour of top management of Banca Commerciale Italiana.
The related provisions – which do not represent segregated funds – are invested without distinction (in a non-specific manner) as an assets component.
The pension fund fully covers technical needs as at the reference date, updated on an annual basis.
In 2006, following the start of liquidation of the pension fund for Banca Commerciale Italiana personnel, on behalf of fund beneficiaries applying for such treatment the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment. The increased value of the mathematical reserve as at 31 December 2006 was offset by disposal to the company in settlement of the entire amount due to the Comit Fund.
The following changes were recorded during the year:

(millions of euro)

Balance as at 31 December 2008	37
Benefits paid in the year	-4
Provisions allocated	2
Transfer from "Fondo pensioni per il personale della Banca Commerciale Italiana"	-
Balance as at 31 December 2009	**35**

Table of significant equity investments in unquoted companies pursuant to article 126 of Consob Regulation 11971 of 14 May 1999

(List of equity investments in excess of 10% of the voting share capital in unquoted companies held directly and indirectly for whatever reason)

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
A.M.P. Srl		100.00	C.R. di Pistoia e Pescia	Pledge
Abibes SpA	92.40		Intesa Sanpaolo	Pledge
Accessible Luxury Holdings 1 SA	15.65		Intesa Sanpaolo	Holding
Adar Holding SpA	16.91		Intesa Sanpaolo	Pledge
Aeroporti Holding Srl		35.31	Equiter	Holding
Agricola del Varano Srl		26.58	C.R. del Veneto	Pledge
Agricola Investimenti Srl in liquidation	100.00		Intesa Sanpaolo	Holding
Agriventure SpA (former Citylife SpA)		20.00	C.R. Firenze	Holding
	80.00		Intesa Sanpaolo	Holding
Agromedimurje d.d.		10.07	Medimurska Banka	Holding
AL.FA. - Un'altra Famiglia Dopo di Noi - Impresa Sociale Srl	42.86		Intesa Sanpaolo	Holding
AL.GIO.FIN SpA	20.00		Intesa Sanpaolo	Pledge
Albergo il Giglio SpA		100.00	C.R. di Pistoia e Pescia	Pledge
Alfa-Ex Ingatlanhasznosito es Forgalmazo Kft.		21.20	CIB Bank	Pledge
Alfieri Associates Investors Servicos de Consultoria SA	20.00		Intesa Sanpaolo	Holding
Allfunds Bank SA	50.00		Intesa Sanpaolo	Holding
Alpas Srl		100.00	C.R. di Pistoia e Pescia	Pledge
Alpifin Srl in liquidation / composition with creditors		10.44	C.R. del Friuli Venezia Giulia - Carifvg	Holding
Ambienta SGR SpA		20.00	Equiter	Holding
Argol SpA	47.68		Intesa Sanpaolo	Pledge
Ariston Thermo SpA (former Merloni Termosanitari SpA)	6.05		Intesa Sanpaolo	Holding
		7.42	IMI Investimenti	Holding
Atlantis SA		81.25	Sudameris	Holding
		18.75	Intesa Sanpaolo Holding International	Holding
Attiva SpA - Ag. per la Trasformaz. Territor. in Veneto (former Cosecon SpA)		10.00	C.R. del Veneto	Holding
Aurum Toscana Srl		100.00	Banco di Napoli	Pledge
Autostrada Pedemontana Lombarda SpA		20.00	Equiter	Holding
		6.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
Autostrade Lombarde SpA	39.71		Intesa Sanpaolo	Holding
Bamcard d.d.		20.03	Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	Holding
Banca C.R. Firenze Romania SA		85.04	C.R. di Firenze	Holding
Banca dell'Adriatico SpA	100.00		Intesa Sanpaolo	Holding
Banca di Credito Sardo SpA (former Banca C.I.S. SpA)	100.00		Intesa Sanpaolo	Holding
Banca di Trento e Bolzano SpA	20.18		Intesa Sanpaolo	Holding
		55.52	Finanziaria B.T.B.	Holding
		0.00	Intesa Sanpaolo Private Banking	Pledge
Banca d'Italia	30.35		Intesa Sanpaolo	Holding
		0.22	C.R. Ascoli Piceno	Holding
		0.00	C.R. di Rieti	Holding
		0.08	C.R. della Provincia di Viterbo	Holding
		0.11	C.R. di Foligno	Holding
		0.15	C.R. di Terni e Narni	Holding
		0.08	C.R. di Città di Castello	Holding
		0.03	C.R. di Spoleto	Holding
		0.62	C.R. del Friuli Venezia Giulia - Carifvg	Holding
		0.88	C.R. di Venezia	Holding
		0.20	C.R. di Forlì e della Romagna - Cariromagna	Holding
		1.20	C.R. del Veneto	Holding
		6.20	C.R. in Bologna	Holding
		1.89	C.R. di Firenze	Holding
		0.04	C.R. di Civitavecchia	Holding
		0.09	C.R. della Spezia	Holding
		0.38	C.R. di Pistoia e Pescia	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Banca Fideuram SpA	100.00		Intesa Sanpaolo	Holding
Banca IMI Securities Corp.		100.00	IMI Capital Markets Usa	Holding
Banca IMI SpA	100.00		Intesa Sanpaolo	Holding
Banca Impresa Lazio SpA	12.00		Intesa Sanpaolo	Holding
Banca Infrastrutture Innovazione e Sviluppo SpA (former Bca Intesa Infrastr. e Svil.)	100.00		Intesa Sanpaolo	Holding
Banca Intesa a.d. Beograd	15.21		Intesa Sanpaolo	Holding
		77.79	Intesa Sanpaolo Holding International	Holding
Banca Prossima SpA	100.00		Intesa Sanpaolo	Holding
Banco di Napoli SpA	100.00		Intesa Sanpaolo	Holding
Bank of Alexandria	70.25		Intesa Sanpaolo	Holding
Bank of Qingdao Co. Ltd	20.00		Intesa Sanpaolo	Holding
Banka Koper d.d.	97.28		Intesa Sanpaolo	Holding
Banque Espirito Santo et de la Venetie SA	12.50		Intesa Sanpaolo	Holding
Banque Galliere SA in liquidation		17.50	C.R. in Bologna	Holding
Beato Edoardo Materiali Ferrosi Srl		50.00	C.R. del Veneto	Pledge
		50.00	C.R. di Venezia	Pledge
Belisce d.d.		13.41	Privredna Banka Zagreb	Holding
Bi Private Equity Ltd		100.00	Private Equity International	Holding
Biessefin SpA in liquidation	36.10		Intesa Sanpaolo	Pledge
Binda SpA in liquidation	11.25		Intesa Sanpaolo	Holding
	0.19		Intesa Sanpaolo	Pledge
		0.00	Cormano	Holding
		0.01	Banco di Napoli	Pledge
		0.01	Banca IMI	Holding
		0.02	C.R. del Veneto	Pledge
		0.01	C.R. di Firenze	Pledge
Blue Gem Luxembourg 1 Sarl		50.00	Eurizon Vita	Holding
Bn Finrete SpA in liquidation	99.00		Intesa Sanpaolo	Holding
Brivon Hungary Plc		100.00	Recovery Real Estate Management	Holding
Business Incubator Beocin d.o.o. for Services, Mediation and Development of S/M Entreprises		11.11	Banca Intesa a.d. - Beograd	Holding
C D I Calitri Denim Industries SpA under bankruptcy proceedings		14.29	Isveimer	Holding
Cala Capitana Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Caleffi SpA (former Marco Holding Srl)	90.89		Intesa Sanpaolo	Pledge
Camigliati Scuola Management Territoriale Scrl		20.00	Intesa Sanpaolo Formazione	Holding
Cantiere Celli Srl		80.00	C.R. di Venezia	Pledge
Cantiere Darsena Italia SpA in liquidation and composition with creditors	20.00		Intesa Sanpaolo	Holding
Caprera Srl	100.00		Intesa Sanpaolo	Pledge
Cargoitalia SpA (former Alis Aerolinee Italiane SpA)	33.33		Intesa Sanpaolo	Holding
Cartitalia Srl under bankruptcy proceedings		51.00	Cormano	Holding
Cassa dei Risparmi di Forlì e della Romagna SpA - Cariromagna	68.43		Intesa Sanpaolo	Holding
Cassa di Risparmio del Friuli Venezia Giulia SpA - Carifvg	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio del Veneto SpA (former Cassa di Risp. di Padova e Rovigo SpA)	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio della Provincia di Chieti SpA	20.00		Intesa Sanpaolo	Holding
Cassa di Risparmio della Provincia di Viterbo SpA		82.02	Casse del Centro	Holding
Cassa di Risparmio della Spezia SpA		80.00	C.R. di Firenze	Holding
Cassa di Risparmio di Ascoli Piceno SpA		66.00	Casse del Centro	Holding
Cassa di Risparmio di Città di Castello SpA		82.19	Casse del Centro	Holding
Cassa di Risparmio di Civitavecchia SpA		51.00	C.R. di Firenze	Holding
Cassa di Risparmio di Fermo SpA	33.33		Intesa Sanpaolo	Holding
Cassa di Risparmio di Firenze SpA	89.71		Intesa Sanpaolo	Holding
Cassa di Risparmio di Foligno SpA		70.47	Casse del Centro	Holding
Cassa di Risparmio di Pistoia e Pescia SpA		60.00	C.R. di Firenze	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Cassa di Risparmio di Rieti SpA		85.00	Casse del Centro	Holding
Cassa di Risparmio di Spoleto SpA		60.13	Casse del Centro	Holding
Cassa di Risparmio di Terni e Narni SpA		75.00	Casse del Centro	Holding
Cassa di Risparmio di Venezia SpA	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio in Bologna SpA	100.00		Intesa Sanpaolo	Holding
Casse del Centro SpA (former Intesa Casse del Centro SpA)	96.07		C.R. di Firenze	Holding
Cattolica Previdenza SpA (former Cattolica Previdenza in Azienda SpA)		19.86	EurizonVita	Holding
Ce.Spe.Vi. Srl - Centro di Sperimentazione per il Vivaismo		20.00	C.R. di Pistoia e Pescia	Holding
Cedar Street Securities Corp.		100.00	Banca IMI Securities	Holding
Celeasing Srl in liquidation	100.00		Intesa Sanpaolo	Pledge
Cen.Ser. Centro Servizi SpA		11.76	C.R. del Veneto	Holding
Centradia Group Ltd in liquidation	30.45		Intesa Sanpaolo	Holding
Centro Factoring SpA	10.81		Intesa Sanpaolo	Holding
		0.11	C.R. di Forlì e della Romagna - Cariromagna	Holding
		41.77	C.R. di Firenze	Holding
		5.73	C.R. di Pistoia e Pescia	Holding
		0.16	C.R. della Spezia	Holding
		14.95	Centro Leasing Banca	Holding
Centro Leasing Banca SpA		77.62	C.R. di Firenze	Holding
		7.09	C.R. di Pistoia e Pescia	Holding
		0.79	C.R. della Spezia	Holding
		0.56	C.R. di Civitavecchia	Holding
		0.04	C.R. di Forlì e della Romagna - Cariromagna	Holding
Centro Leasing Gmbh		100.00	Centro Leasing Banca	Holding
Centro Leasing Rete SpA		100.00	Centro Leasing Banca	Holding
Centrovita Assicurazioni SpA		51.00	Intesa Sanpaolo	Holding
Centurion Financijske Usluge d.o.o. (or Centurion Financial Services Ltd)		100.00	Pbz Card	Holding
China International Packaging Leasing Co. Ltd (Leasepack)		17.50	Intesa Sanpaolo Holding International	Holding
CIB Bank Ltd (former Central-European International Bank Ltd)	6.52		Intesa Sanpaolo	Holding
		93.48	Intesa Sanpaolo Holding International	Holding
Cib Car Trading Limited Liability Company		100.00	Cib Credit	Holding
Cib Credit Ltd		2.00	Cib Real Estate	Holding
		98.00	Cib Leasing	Holding
Cib Factor Financial Service Ltd		50.00	Cib Support	Holding
		50.00	Cib Real Property Utilisation and Services	Holding
Cib Insurance Broker Ltd		100.00	Cib Leasing	Holding
Cib Investment Fund Management Ltd		5.03	Cib Real Property Utilisation and Services	Holding
		94.98	Cib Bank	Holding
Cib Leasing Ltd		100.00	Cib Rent Operative Leasing	Holding
Cib New York Broker Rt. (former Ie-New York Broker Rt.)		100.00	Cib Bank	Holding
Cib Property Ltd		100.00	Cib Leasing	Holding
Cib Real Estate Ltd		100.00	Cib Bank	Holding
Cib Real Property Utilisation and Services Ltd		51.68	Cib Bank	Holding
		48.32	Cib Support	Holding
Cib Rent Operative Leasing Ltd		100.00	Cib Bank	Holding
Cib Residential Property Leasing Ltd		100.00	Cib Leasing	Holding
Cib Support Ltd		100.00	Cib Bank	Holding
Cil-Food 2006 Ltd		100.00	Recovery Real Estate Management	Holding
Cil Buda Square Ltd		100.00	Recovery Real Estate Management	Holding
Cil Mnm Ltd		96.67	Recovery Real Estate Management	Holding
Cimos International d.d.		13.56	Banka Koper	Holding
Collegamento Ferroviario Genova-Milano SpA		20.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
Cometa Srl		100.00	C.R. in Bologna	Pledge
Consorzio per gli studi universitari a distanza "F. Corongiu" in liquidation		33.33	Banca di Credito Sardo	Holding
Consorzio Agrario Interprovinciale Forlì- Cesena e Rimini Scrl		10.37	C.R. Forlì e della Romagna - Cariromagna	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Consorzio Bancario Sir SpA in liquidation	32.86		Intesa Sanpaolo	Holding
		5.63	Banca di Credito Sardo	Holding
		0.00	Banca di Trento e Bolzano	Holding
		0.69	Isveimer	Holding
Consul Service Srl in liquidation		98.41	Banca di Credito Sardo	Holding
Consumer Finance Holding A.S.		100.00	Vseobecna Uverova Banka	Holding
Cormano Srl	70.82		Intesa Sanpaolo	Holding
		6.40	C.R. in Bologna	Holding
Cotonificio Bresciano Ottolini - C.B.O. Srl in liquidation	97.58		Intesa Sanpaolo	Holding
CSB Plaza Real Estate Utilization Ltd		100.00	Recovery Real Estate Management	Holding
Des Bains Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Des Bains Management Srl	100.00		Intesa Sanpaolo	Pledge
Digicar SpA (former Eleven SpA)	100.00		C.R. del Veneto	Pledge
Domina Group SpA in liquid./under bankruptcy proceedings	50.57		Intesa Sanpaolo	Pledge
Dulevo SpA under bankruptcy proceedings	16.30		Intesa Sanpaolo	Holding
	81.91		Intesa Sanpaolo	Pledge
Edilmarket Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Edm Srl under bankruptcy proceedings		25.00	C.R. di Spoleto	Pledge
Emerald Uk Limited Partnership	11.14		Intesa Sanpaolo	Holding
		7.43	IMI Investimenti	Holding
Emil Europe '92 Srl in liquidation		93.48	C.R. in Bologna	Holding
Enerpoint Energy Srl		50.00	Equiter	Holding
Enerpoint SpA		19.80	Equiter	Holding
Epsilon Associati SGR SpA		93.75	Eurizon Capital SGR	Holding
Equinox Investment Company S.C.P.A.		28.98	Private Equity International	Holding
Equinox Two SCA		22.97	Private Equity International	Holding
Equipe Investments SpA		100.00	C.R. del Veneto	Pledge
Equiter SpA (former Fin.Opi SpA - Finanziaria per le Opere Pubbliche e le Infrastrutture)	100.00		Intesa Sanpaolo	Holding
Equitypar-Companhia de Partecipacoes SA		12.50	Intesa Brasil Empreendimentos	Holding
Erre-Effe-Ti SpA	30.00		Intesa Sanpaolo	Pledge
Esped Spedizioni Srl in liquidation		29.80	C.R. del Veneto	Pledge
Eurizon A.I. SGR SpA (former Caam A.I. SGR)	10.00		Intesa Sanpaolo	Holding
		90.00	Eurizon Capital SGR	Holding
Eurizon Alternative Investments SGR SpA in liquidation		100.00	Eurizon Capital SGR	Holding
Eurizon Capital SA		100.00	Eurizon Capital SGR	Holding
Eurizon Capital SGR SpA	100.00		Intesa Sanpaolo	Holding
Eurizonlife Limited		100.00	EurizonVita	Holding
Eurizontutela SpA		100.00	EurizonVita	Holding
EurizonVita (Beijing) Business Advisory Co. Ltd		100.00	EurizonVita	Holding
EurizonVita SpA	99.96		Intesa Sanpaolo	Holding
Eurolites SpA	100.00		Intesa Sanpaolo	Pledge
Euromilano SpA	38.00		Intesa Sanpaolo	Holding
Europay Hrvatska d.o.o. in liquidation		12.50	Privredna Banka Zagreb	Holding
Europrogetti e Finanza SpA	15.97		Intesa Sanpaolo	Holding
Euro-Tresorerie SA		100.00	Financiere Fideuram	Holding
		0.00	Fideuram Bank Luxembourg	Holding
Excelsior Lido Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Excelsior Lido Management Srl	100.00		Intesa Sanpaolo	Pledge
Exelia Srl		100.00	Intesa Sanpaolo Holding International	Holding
F.I.L.A. Fabbrica Italiana Lapis ed Affini SpA	24.75		Intesa Sanpaolo	Holding
F2i - Fondi Italiani per le Infrastrutture SGR SpA		14.29	Banca Infrastrutture Innovazione e Sviluppo	Holding
Femi SpA		100.00	C.R. in Bologna	Pledge

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Fides SpA under bankruptcy proceedings		20.00	Isveimer	Holding
Fideuram Asset Management (Ireland) Ltd		100.00	Banca Fideuram	Holding
Fideuram Bank (Luxembourg) SA		100.00	Banca Fideuram	Holding
		0.00	EurizonVita	Holding
Fideuram Bank (Monaco) SAM (former Fideuram Wargny Gestion SAM)		99.96	Fideuram Bank Luxembourg	Holding
Fideuram Bank (Suisse) SA		99.97	Fideuram Bank Luxembourg	Holding
Fideuram Fiduciaria SpA		100.00	Banca Fideuram	Holding
Fideuram Gestions SA		99.94	Banca Fideuram	Holding
		0.06	EurizonVita	Holding
Fideuram Investimenti SGR SpA		99.50	Banca Fideuram	Holding
Fidi Toscana SpA	0.23		Intesa Sanpaolo	Holding
		8.88	C.R. di Firenze	Holding
		1.78	C.R. di Pistoia e Pescia	Holding
Fidia-Fondo Interbancario d'investim. Az. SGR SpA	25.00		Intesa Sanpaolo	Holding
Fin.Ser. SpA		15.00	C.R. del Veneto	Holding
Fin.Tess. SpA under bankruptcy proceedings		98.00	C.R. del Veneto	Pledge
Financiere Fideuram SA		100.00	Banca Fideuram	Holding
		0.00	Fideuram Bank Luxembourg	Holding
Finanziaria B.T.B SpA	99.29		Intesa Sanpaolo	Holding
Findomestic Banca SpA		25.00	C.R. di Firenze	Holding
Fineurop SpA	15.00		Intesa Sanpaolo	Holding
Finor Leasing d.o.o.		100.00	Banka Koper	Holding
Firenze Mobilità SpA	79.50		Intesa Sanpaolo	Pledge
Fonti di Gaverina SpA	59.71		Intesa Sanpaolo	Pledge
Formula Sport Group Srl in liquidation	52.00		Intesa Sanpaolo	Pledge
Garibaldi Srl	100.00		Intesa Sanpaolo	Pledge
GCL Holding LP Sarl	22.15		Intesa Sanpaolo	Holding
Ge.Fi.L. - Gestione Fiscalità Locale SpA		25.83	C.R. della Spezia	Holding
Ge.I.Po. Srl		90.00	C.R. di Venezia	Pledge
Genextra SpA	15.79		Intesa Sanpaolo	Holding
Geni SpA under bankruptcy proceedings	35.91		Intesa Sanpaolo	Holding
Gepafin SpA-Garanzie Partecipazioni e Finanziamenti		4.32	C.R. di Spoleto	Holding
		0.69	C.R. di Città di Castello	Holding
		3.83	C.R. di Foligno	Holding
		4.04	C.R. di Terni e Narni	Holding
		0.21	C.R. di Firenze	Holding
Gestiones y Recuperaciones de Activos SA		99.94	Inversiones Mobiliarias	Holding
Giochi Preziosi SpA (former Lauro Ventuno SpA)	14.25		Intesa Sanpaolo	Holding
Goglio Luigi Milano SpA		16.07	IMI Investimenti	Holding
Granarolo SpA	19.78		Intesa Sanpaolo	Holding
Green Initiative Carbon Assets (Gica) SA		25.00	Equiter	Holding
Grin Srl in liquidation	100.00		Intesa Sanpaolo	Pledge
Guinness Peat Aviation Atr Ltd		12.50	Intesa Sanpaolo Bank Ireland	Holding
Hellatron SpA	85.00		Intesa Sanpaolo	Pledge
Horizonte Club Italia Srl		100.00	Banco di Napoli	Pledge
Hotel Cipriani Asolo Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Due Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Quattro Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Tre Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Uno Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Wien Trading Ltd		100.00	Recovery Real Estate Management	Holding
Hrok - Hrvatsky Registar Obveza po Kreditima d.o.o. za Poslovne Usluge		14.70	Privredna Banka Zagreb	Holding
I.Tre - Iniziative Immobiliari Industriali SpA		20.00	C.R. del Veneto	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Iam Piaggio SpA under extraordinary administration	16.58		Intesa Sanpaolo	Holding
		3.86	Banca Fideuram	Holding
Idra Partecipazioni SpA in liquidation	23.82		Intesa Sanpaolo	Holding
		14.80	Ldv Holding	Holding
Ifas Gruppo SpA in liquidation	45.00		Intesa Sanpaolo	Holding
Il Mondo dei Fiori Srl	100.00		Intesa Sanpaolo	Pledge
IMI Capital Markets Usa Corp.		100.00	IMI Investments	Holding
IMI Finance Luxembourg SA		100.00	IMI Investments	Holding
IMI Fondi Chiusi SGR SpA (former Sanpaolo IMI Fondi Chiusi SGR SpA)		100.00	IMI Investimenti	Holding
IMI Investimenti SpA	100.00		Intesa Sanpaolo	Holding
IMI Investments SA		100.00	Banca IMI	Holding
		0.00	Banca IMI Securities	Holding
Immit - Nuova Immobili Italiani Srl	100.00		Intesa Sanpaolo	Holding
Immobiliare Femar SpA in liquidation		38.57	C.R. del Veneto	Pledge
Immobiliare Maggio Srl	100.00		Intesa Sanpaolo	Pledge
Immobiliare Novoli SpA		25.00	C.R. di Firenze	Holding
Immobiliare Nuova Sede Srl		100.00	C.R. di Firenze	Holding
Immobiliare Peonia Rosa Srl	57.00		Intesa Sanpaolo	Pledge
Immobiliare Rione San Gottardo SpA	100.00		Intesa Sanpaolo	Pledge
Immobiliare Turistica M.O. Srl		50.00	C.R. di Venezia	Pledge
IMP Industria Meccanica di Precisione Srl	100.00		Intesa Sanpaolo	Pledge
Impianti Srl in liquidation	26.27		Intesa Sanpaolo	Holding
		1.69	Banca di Trento e Bolzano	Holding
		5.25	Isveimer	Holding
Impresa Castelli Srl in liquidation	36.60		Intesa Sanpaolo	Pledge
Infogroup - Informatica e Servizi Telematici Scpa (formerly SpA)	31.07		Intesa Sanpaolo	Holding
		65.45	C.R. di Firenze	Holding
		2.76	C.R. di Pistoia e Pescia	Holding
		0.69	C.R. di Civitavecchia	Holding
		0.00	Intesa Sanpaolo Group Services	Holding
		0.00	Banca IMI	Holding
		0.00	C.R. della Spezia	Holding
		0.00	Setefi	Holding
		0.00	Banca dell'Adriatico	Holding
		0.00	Banca di Credito Sardo	Holding
		0.00	Banca di Trento e Bolzano	Holding
		0.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
		0.00	Banca Prossima	Holding
		0.00	Banco di Napoli	Holding
		0.00	C.R. di Forlì e della Romagna - Cariromagna	Holding
		0.00	C.R. del Friuli Venezia Giulia - Carifvg	Holding
		0.00	C.R. della Prov. di Viterbo	Holding
		0.00	C.R. del Veneto	Holding
		0.00	C.R. di Venezia	Holding
		0.00	C.R. di Rieti	Holding
		0.00	C.R. di Foligno	Holding
		0.00	C.R. di Città di Castello	Holding
		0.00	C.R. di Ascoli Piceno	Holding
		0.00	C.R. di Spoleto	Holding
		0.00	C.R. di Terni e Narni	Holding
		0.00	C.R. in Bologna	Holding
		0.00	Casse del Centro	Holding
		0.00	Centro Leasing Banca	Holding
Informatica Umbra Srl		8.33	C.R. di Foligno	Holding
		8.33	C.R. di Spoleto	Holding
Infragruppo SpA		21.71	IMI Investimenti	Holding
		51.24	C.R. del Veneto	Pledge

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Iniziative Urbane SpA		11.11	Banca di Trento e Bolzano	Holding
Integrated Shipping Company - I.S.Co. SpA	100.00		Intesa Sanpaolo	Pledge
Interhold Srl	100.00		Intesa Sanpaolo	Pledge
Interline Turismo Club Srl	100.00		Intesa Sanpaolo	Pledge
International Business Science Company Soc. Cons. a r.l. - I.B.S.C.		18.18	C.R. del Friuli Venezia Giulia - Carifvg	Holding
Intesa Brasil Empreendimentos SA	100.00		Intesa Sanpaolo Servicos e Empreendimentos	Holding
Intesa Eurizon Asset Management Beograd a.d.		40.00	Banca Intesa a.d. - Beograd	Holding
		40.00	Eurizon Capital	Holding
	20.00		Intesa Sanpaolo	Holding
Intesa Funding Llc	100.00		Intesa Sanpaolo	Holding
Intesa Global Finance Company Ltd		100.00	Intesa Sanpaolo Holding International	Holding
Intesa Investimenti SpA	100.00		Intesa Sanpaolo	Holding
Intesa Lease Sec. Srl	60.00		Intesa Sanpaolo	Holding
Intesa Leasing d.o.o. Beograd		98.71	Banca Intesa a.d. - Beograd	Holding
		1.30	Cib Leasing	Holding
Intesa Preferred Capital Company Llc	100.00		Intesa Sanpaolo	Holding
Intesa Previdenza - SIM SpA	78.53		Intesa Sanpaolo	Holding
Intesa Real Estate Srl	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Bank Albania (former American Bank of Albania)	90.83		Intesa Sanpaolo	Holding
Intesa Sanpaolo Bank Ireland Plc	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina (former Upi Banka d.d.)		86.48	Intesa Sanpaolo Holding International	Holding
Intesa Sanpaolo Card d.o.o. - Ljubljana (former Centurion Financne Storitve d.o.o.)		92.67	Banka Koper	Holding
		7.33	Intesa Sanpaolo Card - Zagreb	Holding
Intesa Sanpaolo Card d.o.o. - Zagreb		57.94	Intesa Sanpaolo Holding International	Holding
		37.64	Privredna Banka Zagreb	Holding
		4.42	Banka Koper	Holding
Intesa Sanpaolo Eurodesk Sprl (former Cbe Service)	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Formazione Scpa	80.00		Intesa Sanpaolo	Holding
		20.00	Casse del Centro	Holding
Intesa Sanpaolo Group Services Scpa (former Imifin SpA in liquid.)	99.87		Intesa Sanpaolo	Holding
		0.01	Banca IMI	Holding
		0.01	Banca Fideuram	Holding
		0.01	Banco di Napoli	Holding
		0.01	C.R. del Veneto	Holding
		0.01	C.R. di Firenze	Holding
		0.00	Banca dell'Adriatico	Holding
		0.00	Banca di Credito Sardo	Holding
		0.00	Banca di Trento e Bolzano	Holding
		0.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
		0.00	C.R. di Forlì e della Romagna - Cariromagna	Holding
		0.00	C.R. del Friuli Venezia Giulia - Carifvg	Holding
		0.00	C.R. di Venezia	Holding
		0.00	C.R. in Bologna	Holding
		0.00	Eurizon Capital SGR	Holding
		0.00	Intesa Sanpaolo Private Banking	Holding
		0.00	Intesa Sanpaolo Servizi Transazionali	Holding
		0.00	Mediocredito Italiano	Holding
		0.00	Eurizonvita	Holding
		0.00	Banca Prossima	Holding
		0.00	C.R. della Prov. di Viterbo	Holding
		0.00	C.R. di Ascoli Piceno	Holding
		0.00	C.R. di Città di Castello	Holding
		0.00	C.R. di Civitavecchia	Holding
		0.00	C.R. di Pistoia e Pescia	Holding
		0.00	C.R. di Foligno	Holding
		0.00	C.R. di Rieti	Holding
		0.00	C.R. di Spoleto	Holding
		0.00	Casse del Centro	Holding

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
		0.00	Epsilon SGR	Holding
		0.00	Equiter	Holding
		0.00	Eurizon A.I. SGR	Holding
		0.00	Eurizontutela	Holding
		0.00	Fideuram Investimenti SGR	Holding
		0.00	IMI Investimenti	Holding
		0.00	Intesa Previdenza SIM	Holding
		0.00	C.R. della Spezia	Holding
		0.00	Moneta	Holding
		0.00	Neos Finance	Holding
		0.00	IMI Fondi Chiusi SGR	Holding
		0.00	Sanpaolo Invest SIM	Holding
		0.00	Infogroup	Holding
		0.00	Setefi	Holding
Intesa Sanpaolo Holding International SA	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Leasing Romania I.F.N. SA (former DI-BAS Leasing IFN SA)		95.00	Intesa Sanpaolo Romania	Holding
		5.00	Cib Leasing	Holding
Intesa Sanpaolo Private Bank (Suisse) SA (former Sanpaolo Bank (Suisse) SA)		99.98	Société Européenne de Banque	Holding
Intesa Sanpaolo Private Banking SpA	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Real Estate Romania SA (former West Trade Center !	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Romania SA (former Bca Comerciala Sanpaolo IMI Bank Romania SA)	99.25		Intesa Sanpaolo	Holding
Intesa Sanpaolo Servicos e Empreendimentos Ltda	99.82		Intesa Sanpaolo	Holding
Intesa Sanpaolo Servizi Transazionali SpA (former Mps Finance Banca Mobiliare)	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Trust Company Fiduciaria SpA (former Sanpaolo Fiduciaria SpA)	100.00		Intesa Sanpaolo	Holding
Intesa Sec. SpA	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 2 Srl	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 3 Srl	60.00		Intesa Sanpaolo	Holding
Intesa Sec. Npl SpA	60.00		Intesa Sanpaolo	Holding
Intesa Soditic Trade Finance Ltd		50.00	Intesa Sanpaolo Holding International	Holding
Intesa Vita SpA	50.00		Intesa Sanpaolo	Holding
Intesabci Preferred Capital Company Llc III Delaware	100.00		Intesa Sanpaolo	Holding
Intesabci Preferred Securities Investor Trust		100.00	Intesabci Preferred Capital Company Llc III Delaware	Holding
Inversiones Mobiliarias SA - IMSA	99.40		Intesa Sanpaolo	Holding
Investitori Associati SA in liquidation	16.67		Intesa Sanpaolo	Holding
Ion Investment Fund 1 Ltd	20.00		Intesa Sanpaolo	Holding
Ipef Partners Ltd in liquidation - London	40.50		Intesa Sanpaolo	Holding
Iscaim Srl in liquidation (former Immob. dell'Isola Cattaneo & C.)	48.57		Intesa Sanpaolo	Pledge
ISM Investimenti SpA		28.57	IMI Investimenti	Holding
Isp Cb Ipotecario Srl	100.00		Intesa Sanpaolo	Holding
Isp Cb Pubblico Srl	60.00		Intesa Sanpaolo	Holding
Isp Sec. 4 Srl	100.00		Intesa Sanpaolo	Holding
Istituto Gentili SpA	100.00		Intesa Sanpaolo	Pledge
Istituto per il Credito Sportivo	10.81		Intesa Sanpaolo	Holding
Isveimer SpA in liquidation	65.47		Intesa Sanpaolo	Holding
		0.04	C.R. di Ascoli Piceno	Holding
Italfondiario SpA	11.25		Intesa Sanpaolo	Holding
Italia Generali Costruzioni Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Italian Equity Advisors SpA under bankruptcy proceedings	17.16		Intesa Sanpaolo	Pledge
Ittica Ugento SpA under bankruptcy proceedings		26.96	Banco di Napoli	Pledge
Kish Receivables Co.		20.83	Tobuk	Holding
Kmb-Leasing (Closed Joint Stock Company)		100.00	Kmb Bank-Small Business Credit Bank	Holding
Kmb Bank-Small Business Credit Bank (Closed Joint Stock Company)		75.00	Intesa Sanpaolo Holding International	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
L.I.M.A. Lavorazione Italiana Metalli Affini SpA	12.51		Intesa Sanpaolo	Pledge
La Compagnia Finanziaria SpA	10.28		Intesa Sanpaolo	Holding
Lanchid Palota Real Estate Development and Operating Ltd		100.00	Recovery Real Estate Management	Holding
Laviosa Minerals SpA		14.08	C.R. di Firenze	Pledge
LDV Holding B.V. in liquidation		100.00	IMI Investimenti	Holding
Leasint SpA (former Intesa Leasing SpA)	100.00		Intesa Sanpaolo	Holding
Lelle Spc - Real Estate Investment and Trading Co.		100.00	Recovery Real Estate Management	Holding
Leonardo Technology SpA	25.00		Intesa Sanpaolo	Holding
Lido Real Estate Srl	100.00		Intesa Sanpaolo	Pledge
Lido Staff House Srl	100.00		Intesa Sanpaolo	Pledge
Lima Sudameris Holding SA in liquidation	52.87		Intesa Sanpaolo	Holding
		47.13	Inversiones Mobiliarias	Holding
Livi Srl		100.00	C.R. di Pistoia e Pescia	Pledge
Lux Gest Asset Management SA		100.00	Société Européenne de Banque	Holding
Luxi Privilege Conseil SA		50.00	Société Européenne de Banque	Holding
Luxvide Finanziaria per Iniziative Audiovisive e Telematiche SpA	14.04		Intesa Sanpaolo	Holding
Mandarin Capital Management SA		20.00	Private Equity International	Holding
Mandarin Capital Partners (Sca) Sicar		20.88	Private Equity International	Holding
Manucor SpA (former Manuli Film SpA)	45.50		Intesa Sanpaolo	Holding
Marche Capital SpA	11.99		Intesa Sanpaolo	Holding
Marina Fiorita Srl (formerly SpA)		92.22	C.R. di Venezia	Pledge
Mater-Bi SpA	34.48		Intesa Sanpaolo	Holding
Mecaer Aviation Group SpA (former Mecaer Meccanica Aereonautica SpA)		16.42	IMI Investimenti	Holding
Medimurska Banka d.d.		100.00	Privredna Banka Zagreb	Holding
Medinvest Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Mediocredito Italiano SpA (former Banca Intesa Mediocredito SpA)	100.00		Intesa Sanpaolo	Holding
Mediofactoring SpA (former Intesa Mediofactoring SpA)	100.00		Intesa Sanpaolo	Holding
Mega International SpA under composition with creditors		48.00	Neos Finance	Holding
Menhir Llp		20.00	Private Equity International	Holding
Mezzanove Capital (Sca) Sicar		26.85	Private Equity International	Holding
Mezzanove Capital Management Sarl		47.00	Private Equity International	Holding
MF Honyvem SpA	30.00		Intesa Sanpaolo	Holding
Misr Alexandria for Financial Investments Co.		25.00	Bank of Alexandria	Holding
Misr Financial Investments Co.		17.70	Bank of Alexandria	Holding
Misr International Towers Co.		27.86	Bank of Alexandria	Holding
Moneta SpA (former Consumer Financial Services Srl - CFS)	100.00		Intesa Sanpaolo	Holding
Monte Mario 2000 Srl		47.50	Intesa Real Estate	Holding
Myremi Srl		100.00	Banco di Napoli	Pledge
N.H. Italia Srl	42.75		Intesa Sanpaolo	Holding
Naga 008 SpA	100.00		Intesa Sanpaolo	Pledge
Neos Finance SpA	100.00		Intesa Sanpaolo	Holding
Network Impresa SpA		18.95	C.R. del Veneto	Holding
Newcocot SpA	24.61		Intesa Sanpaolo	Holding
Newcosmit SpA	51.00		C.R. del Veneto	Pledge
Nicotra SpA	100.00		Intesa Sanpaolo	Pledge
Noverca Italia Srl	34.00		Intesa Sanpaolo	Holding
NTV - Nuovo Trasporto Viaggiatori SpA		20.00	IMI Investimenti	Holding
Nuova Cartiera di Arbatax SpA under extraordinary administration		16.00	Banca di Credito Sardo	Holding
Obiettivo Nordest Sicav SpA	37.63		Intesa Sanpaolo	Holding
Obuda Dunapart Office Building Center Ltd		100.00	Cil Buda Square	Holding
Olympia 1893 Srl (former Immobiliare Olympia '93 Srl)	100.00		Intesa Sanpaolo	Pledge
OOO Intesa Realty Russia	100.00		Intesa Sanpaolo	Holding
Ottobre 2008 Srl	100.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
P.B. Srl in liquidation	42.24		Intesa Sanpaolo	Holding
		4.96	C.R. di Firenze	Holding
Pan-Trgovina d.o.o. Novi Sad		38.72	Banca Intesa a.d. - Beograd	Holding
Pbz Card d.o.o.		100.00	Privredna Banka Zagreb	Holding
Pbz Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management		50.00	Privredna Banka Zagreb	Holding
Pbz Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding
Pbz Leasing d.o.o. za Poslove Leasinga		100.00	Privredna Banka Zagreb	Holding
Pbz Nekretnine d.o.o.		100.00	Privredna Banka Zagreb	Holding
Pbz Stambena Stedionica d.d.		100.00	Privredna Banka Zagreb	Holding
Penghua Fund Management Co. Ltd		49.00	Eurizon Capital SGR	Holding
Pietra Srl	22.22		Intesa Sanpaolo	Holding
Portocittà Srl		25.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
Pravex-Bank Pjsccb	100.00		Intesa Sanpaolo	Holding
Primorske Novice d.o.o.		17.12	Banka Koper	Holding
Private Equity International SA (former NHS Investments SA)	90.90		Intesa Sanpaolo	Holding
		9.10	IMI Investimenti	Holding
Privredna Banka Zagreb d.d.		76.59	Intesa Sanpaolo Holding International	Holding
Pro Mac SpA		5.20	Banca IMI	Holding
		5.20	C.R. di Firenze	Holding
Progema - Promozione Gestione Management Srl in liquidation		10.00	Neos Finance	Holding
		10.00	Sep - Servizi e Progetti	Holding
Progetti SpA	24.00		Intesa Sanpaolo	Pledge
Progetto Milano Bastioni SpA	14.10		Intesa Sanpaolo	Holding
Progetto PP1 SpA		100.00	C.R. del Veneto	Pledge
Quadrante SpA	50.00		Intesa Sanpaolo	Pledge
RCN Finanziaria SpA	23.96		Intesa Sanpaolo	Holding
Recovery A.S.		100.00	Vseobecna Uverova Banka	Holding
Recovery Real Estate Management Ltd (former Cib Expert Ltd)		100.00	Cib Bank	Holding
S.A.F.I. Srl		20.00	Centro Leasing Rete	Holding
Sabaudia 29 Srl under bankruptcy proceedings	95.00		Intesa Sanpaolo	Pledge
SAGO SpA in liquidation	26.67		Intesa Sanpaolo	Holding
San Francesco Srl	100.00		Intesa Sanpaolo	Pledge
Sanpaolo Bank SA	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Bank (International) SA	100.00		Intesa Sanpaolo	Holding
		0.00	Intesa Sanpaolo Holding International	Holding
		0.00	IMI Investments	Holding
		0.00	Sanpaolo Bank	Holding
		0.00	Intesa Sanpaolo Bank Ireland	Holding
Sanpaolo IMI Capital Company I, L.L.C.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Equity Management SA		100.00	IMI Investimenti	Holding
Sanpaolo IMI Private Equity Scheme B.V. in liquidation		20.00	Sanpaolo IMI Equity Management	Holding
		23.50	Ldv Holding	Holding
		8.00	C.R. di Firenze	Holding
Sanpaolo IMI U.S. Financial Co.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Immobiliere SA		0.01	Eurizon Capital	Holding
		99.99	Sanpaolo Bank	Holding
Sanpaolo Invest Ireland Ltd		100.00	Banca Fideuram	Holding
Sanpaolo Invest SIM SpA		100.00	Banca Fideuram	Holding
Sanpaolo Real Estate SA		100.00	Sanpaolo Bank	Holding
		0.00	Intesa Sanpaolo Holding International	Holding
Santa Chiara Srl		100.00	Banco di Napoli	Pledge
Saper Participacoes Ltda		37.90	Intesa Brasil Empreendimentos	Holding
Schemaquattordici SpA (former 21 Investimenti SpA)	11.76		Intesa Sanpaolo	Holding
Scuola di Vela S. Teresa Srl		12.39	C.R. della Spezia	Holding
Seaser SpA		100.00	Banca Infrastrutture Innovazione e Sviluppo	Pledge

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
SEP - Servizi e Progetti Scpa (formerly SpA)	100.00		Intesa Sanpaolo	Holding
		0.00	Intesa Sanpaolo Group Services	Holding
Servis Usluznih Djelatnosti d.o.o.		19.85	Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	Holding
Servitia SA		100.00	Société Européenne de Banque	Holding
Setefi - Servizi Telematici Finanziari per il Terziario SpA		100.00	Moneta	Holding
Shanghai Sino-Italy Business Advisory Company Ltd	40.00		Intesa Sanpaolo	Holding
Sia - Ssb SpA	30.64		Intesa Sanpaolo	Holding
		0.03	C.R. di Rieti	Holding
		0.02	C.R. di Terni e Narni	Holding
		0.13	Banca di Trento e Bolzano	Holding
		0.02	C.R. di Ascoli Piceno	Holding
		0.03	C.R. della Provincia di Viterbo	Holding
		1.39	Banca IMI	Holding
		0.02	C.R. di Foligno	Holding
		NS	Banca di Credito Sardo	Holding
		0.02	C.R. di Città di Castello	Holding
		0.01	C.R. di Spoleto	Holding
		0.02	Banca Fideuram	Holding
		0.04	C.R. di Forlì e della Romagna - Cariromagna	Holding
		0.49	C.R. di Firenze	Holding
Sicil Power SpA	97.00		Intesa Sanpaolo	Pledge
Sirti SpA	100.00		Intesa Sanpaolo	Pledge
Siteba - Sistemi Telematici Bancari SpA	18.31		Intesa Sanpaolo	Holding
		0.09	C.R. di Rieti	Holding
		0.06	C.R. di Terni e Narni	Holding
		0.05	C.R. di Foligno	Holding
		0.16	Banca di Trento e Bolzano	Holding
		1.19	C.R. di Firenze	Holding
Slovak Banking Credit Bureau s.r.o.		33.33	Vseobecna Uverova Banka	Holding
Società Aree Industriali ed Artigianali - S.A.I.A. SpA	10.08		Intesa Sanpaolo	Holding
Società Azionaria Gest. Aerop. Torino S.A.G.A.T. SpA		12.40	Equiter	Holding
Società Europea di Sviluppo Srl		90.00	C.R. del Veneto	Pledge
Società Gestione per il Realizzo SpA in liquidation	38.33		Intesa Sanpaolo	Holding
		0.63	Banca Fideuram	Holding
		0.42	C.R. di Firenze	Holding
		0.16	C.R. di Civitavecchia	Holding
Società Italiana di Revisione e Fiduciaria S.I.Re.F. SpA	100.00		Intesa Sanpaolo	Holding
Société Européenne de Banque SA		100.00	Intesa Sanpaolo Holding International	Holding
Solar Express Srl	40.00		Intesa Sanpaolo	Holding
Spinoffer Real Estate Srl	100.00		Intesa Sanpaolo	Pledge
Stabilimenti Attività Balneari Srl - S.A.B.	100.00		Intesa Sanpaolo	Pledge
Sti SpA (former Elsag Sti SpA)		11.29	C.R. della Spezia	Holding
Strutture Centrali Srl	25.00		Intesa Sanpaolo	Pledge
Sud Polo Vita SpA	98.79		Intesa Sanpaolo	Holding
		1.18	EurizonVita	Holding
Sudameris SA		99.87	Intesa Sanpaolo Holding International	Holding
Sviluppo Como SpA	15.00		Intesa Sanpaolo	Holding
Sviluppo Imprese Centro Italia SGR SpA		15.00	C.R. di Firenze	Holding
Sviluppo Industriale SpA		29.19	C.R. di Pistoia e Pescia	Holding
Tamma - Industrie Alimentari di Capitanata Srl	54.60		Intesa Sanpaolo	Pledge
Tebe Tours SpA		100.00	C.R. di Firenze	Holding
Tecnoalimenti Soc. Cons. per Azioni	20.00		Intesa Sanpaolo	Holding
Tecnobiomedica SpA	26.27		Intesa Sanpaolo	Holding
Tecnocittà Srl in liquidation	12.00		Intesa Sanpaolo	Holding
Tecnofarmaci SpA	20.50		Intesa Sanpaolo	Holding
Tecnogen SpA	23.05		Intesa Sanpaolo	Holding
Tecnoitalia Srl	100.00		Intesa Sanpaolo	Pledge
Tecnotessile Soc. Naz. di Ricerca Tecnolog. a r.l.	40.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Tehnolosko-Inovacijski Centar d.o.o.		11.20	Privredna Banka Zagreb	Holding
Telco SpA	10.65		Intesa Sanpaolo	Holding
Termomeccanica SpA	27.50		Intesa Sanpaolo	Holding
		5.37	C.R. della Spezia	Holding
Timavo e Tivene Srl (ex P.Ind Srl)	100.00		Intesa Sanpaolo	Pledge
TLX SpA		50.00	Banca IMI	Holding
To.Ro. Tosco Romagnola Soc. Cons. a r.l.		11.88	C.R. di Forlì e della Romagna - Cariromagna	Holding
Tobuk Ltd		100.00	Intesa Sanpaolo Bank Ireland	Holding
Tornabuoni Srl	100.00		Intesa Sanpaolo	Pledge
Tre Re SpA in liquidation	39.99		Intesa Sanpaolo	Pledge
Trigoria 2000 Srl in liquidation	95.00		Intesa Sanpaolo	Pledge
Tutti SpA (formerly Srl)		19.98	IMI Investimenti	Holding
Umbra Cuscinetti SpA	40.68		Intesa Sanpaolo	Pledge
Unicar Furgonature SpA in liquidation / under bankruptcy proceedings		40.52	C.R. di Forlì e della Romagna - Cariromagna	Pledge
Unimatica SpA		25.00	Infogroup	Holding
Union Life Insurance Company Ltd		19.90	EurizonVita	Holding
United Valves Co. (Butterfly) in liquidation		25.00	Bank of Alexandria	Holding
Uno a Erre Italia SpA	18.90		Intesa Sanpaolo	Holding
		1.37	Mediocredito Italiano	Holding
Upa Servizi SpA		44.32	C.R. del Veneto	Holding
Varese Investimenti SpA	40.00		Intesa Sanpaolo	Holding
Ver Capital SGR SpA		16.00	C.R. di Firenze	Holding
Villa Cipriani Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Villa Cipriani Management Srl	100.00		Intesa Sanpaolo	Pledge
Villa delle Terme SpA	86.37		Intesa Sanpaolo	Pledge
Villaggio Turistico Internazionale Srl (former Sviluppo Marino Srl)	100.00		Intesa Sanpaolo	Pledge
Villanova SpA	49.67		Intesa Sanpaolo	Pledge
Visconti 21 Consulting Srl	100.00		Intesa Sanpaolo	Holding
Vseobecna Uverova Banka A.S. - Vub		96.76	Intesa Sanpaolo Holding International	Holding
Vub Asset Management Spravcovska Spolocnost A.S.		100.00	Vseobecna Uverova Banka	Holding
Vub Factoring A.S.		100.00	Vseobecna Uverova Banka	Holding
Vub Generali Dochodkova Spravcovska Spolocnost A.S.		50.00	Vseobecna Uverova Banka	Holding
Vub Leasing A.S. (former B.O.F. A.S.)		70.00	Vseobecna Uverova Banka	Holding
Vub Leasingova A.S.		100.00	Vseobecna Uverova Banka	Holding
Vub Poist'ovaci Makler s.r.o. (former B.O.F. Poist'ovaci Makler s.r.o.)		100.00	Vub Leasing	Holding
Zaccherini Alvisi Srl	100.00		Intesa Sanpaolo	Holding
Zao Banca Intesa Closed Joint-Stock Company	100.00		Intesa Sanpaolo	Holding

N.S. = Not significant as the percentage is less than 0.001

Fees for auditing and services other than auditing pursuant to article 149-duodecies of Consob Regulation 11971

(millions of euro)

Type of service	Intesa Sanpaolo		Group Companies (*)	
	Reconta Ernst & Young	Reconta Ernst & Young	Reconta Ernst & Young	Reconta Ernst & Young Network
Independent audit (**)	5.0	-	14.2	-
Release of attestations (***)	1.2	-	1.2	-
Tax consulting services	-	-	-	-
Other:	0.8	0.1	2.2	-
agreed audit procedures	*0.7*	-	*2.2*	-
social report audit	*0.1*	-	-	-
other	-	*0.1*	-	-
TOTAL	**7.0**	**0.1**	**17.6**	**-**

(*) Group companies and other fully consolidated subsidiaries.

(**) Including costs for audit of Parent Company international branches for local purposes, of the Corporate Governance Report and other (National Guarantee Fund, mandatory fiscal obligations).

(***) Including costs for voluntary audit of Pillar 3 Disclosure.

Amounts net of VAT and reimbursed expenses.

Glossary

GLOSSARY OF THE MAIN TERMS USED IN THE ANNUAL REPORT

(in the meaning adopted in the "Report" and with exclusion of the terms today widely used in the Italian language 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 mentioned 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 privatisations 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 Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

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".

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*).

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*.

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.

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 operating in the exclusive interest of their parent company or group.

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

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.

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.

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 preferred 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.

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.

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/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.

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 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.

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.

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:
- 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
- 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-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.

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.

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.

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.

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.

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 intrinsic value (i.e. 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).

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.

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).

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.

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.

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 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.

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*".

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.

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.

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.

Mark-down
Difference between 1-month euribor and the rate applied to current accounts of households and businesses.

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.

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.

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.

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 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.

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-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 Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

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.

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.

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 the 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 the case of an interest rate swap, the parties exchange flows which may or may not be indexed to interest rates, calculated on a notional amount (e.g., one party pays a fixed rate flow while the counterparty 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.

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.

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.

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Turin
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3531
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Financial calendar

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Approval of results as at 30 September 2010:	12 November 2010

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PRINTED ON FSC ECOLOGICAL PAPER WITH ECO-COMPATIBLE VEGETABLE INKS BY GRAFICHE AGEMA S.P.A. ITALIA – CERTIFIED COMPANY FOR ECO-SUSTAINABLE DEVELOPMENT.

Intesa Sanpaolo is the most widespread bank in Italy. Its leadership stems not only from its size but also thanks to its ability to interpret and respond to the needs of the areas in which it is present.
This commitment can be seen in the choice of maintaining and enhancing all the banks in the group, since it is they that allow Intesa Sanpaolo to present itself to the market as a fully-fledged citizen of every place in which it operates.
This is the reason the illustrations chosen for this report have been inspired by the rich cultural heritage of Italian cities. They show the steeples of greatest importance to the cities where our registered offices are located and which appear in the names of our local Banche dei Territori. It is a tribute to Italian tradition and history. But it is also emblematic of the willingness to communicate and establish relationships that distinguishes the people at Intesa Sanpaolo and the banks in the Group.


1. Milano
Steeple, Basilica of Sant'Ambrogio


2. Torino
Steeple, San Carlo Church


3. Napoli
Steeple, Santa Chiara Monastery

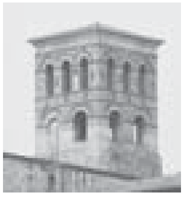

4. Trento
Steeple, Duomo of Trento


5. Forlì
Steeple, Piazza Vittorio Emanuele


6. Bologna
Steeple, San Francesco Church


7. Venezia
Steeple, Piazza San Marco


8. Padova
Steeple, Basilica of Sant'Antonio


9. Narni
Steeple of San Giovenale


10. Rieti
Steeple, Duomo dell'Assunta


11. Spoleto
Steeple, Palazzo Montevecchio


12. Bolzano
Steeple, San Giovanni in Villa Church

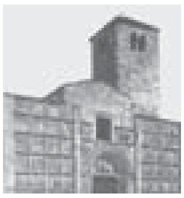

13. Civitavecchia
Steeple, Chiesa dell'Orazione e Morte


14. Foligno
Steeple, Cathedral

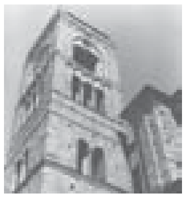

15. Pistoia
Steeple, Piazza del Duomo


16. Terni
Steeple, San Francesco Church


17. Firenze
Giotto's Bell Tower, Piazza del Duomo


18. Ascoli Piceno
Steeple, Santi Vincenzo e Anastasio Church


19. Viterbo
Steeple, Ex Chiesa degli Almadiani


20. Pescia
Steeple, Santa Maria Assunta Cathedral


21. Città di Castello
Steeple, Duomo


22. Pesaro
Steeple, San Giacomo Church


23. Gorizia
Steeple, Sant'Ignazio Church


24. Cagliari
Steeple, Sant'Anna Church


25. La Spezia
Steeple, Chiesa di Nostra Signora della Neve

Credits
1-7-8-17 Raccolte Museali Fratelli Alinari (RMFA), Firenze
2-4-5-6-10-18 Archivi Alinari - Alinari Archive, Firenze
3-11-14 Archivi Alinari - Anderson archive, Firenze
9-16 Photo by Sergio Pagliaricci, Terni
12 Photo by Michele Bernardinatti - KLR foto - Trento
13 Photo by Fotoarte Mazzoldi Gabriella, Civitavecchia
15 Archivi Alinari - Brogi Archive, Firenze
19 Photo by Francesco Biganzoli, Viterbo
20 Photo by Aurelio Amendola, Pistoia
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