INTESA SANPAOLO

Annual Report 2010

This is an English translation of the Italian original "Bilanci 2010" 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 statement, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts 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.

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. The Intesa Sanpaolo Group's ability to achieve its projected objectives or 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.

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 5 April 2011

Report and consolidated financial statements of the Intesa Sanpaolo Group 2010

Report and Parent Company's financial statements 2010

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.

Intesa Sanpaolo,
Bank of the Year 2010 Italy

Contents

THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

BANCA CR FIRENZE | BANCA DELL'ADRIATICO | BANCA DI CREDITO SARDO | BANCA DI TRENTO E BOLZANO / BANK FÜR TRIENT UND BOZEN

Banca FIDEURAM | BANCA IMI | BIIS BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO | BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ

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 | CARISBO | INTESA SANPAOLO PRIVATE BANKING | MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,732	Banca CR Firenze	67
	Intesa Sanpaolo Private Banking	60
	Banca Fideuram	38
	Banca Prossima	17
	BIIS	5
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	CR del Veneto	481
	CR in Bologna	217
	CR del Friuli Venezia Giulia	151
	CR Venezia	122
	CR di Forlì e della Romagna	115
	Banca di Trento e Bolzano	90
	Banca CR Firenze	53
	Intesa Sanpaolo Private Banking	40
	Banca Fideuram	22
	Banca Prossima	10
	BIIS	3
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
416	Banca CR Firenze	745
	Banca dell'Adriatico	85
	Intesa Sanpaolo Private Banking	23
	Banca Fideuram	21
	Banca Prossima	9
	BIIS	4
	Banco di Napoli	4
	Mediocredito Italiano	3

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
6	Banco di Napoli	760
	Banca dell'Adriatico	121
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	13
	Banca CR Firenze	11
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
193	Banca di Credito Sardo	95
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Banca Prossima	4
	BIIS	2
	Mediocredito Italiano	1

Figures as at 31 December 2010

Product Companies

CENTROVITA | EurizonVita | IntesaVITA | SUD POLO VITA

Bancassurance

INTESA SANPAOLO PREVIDENZA

Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

MONETA

Consumer Credit and Payment Systems

NEOS FINANCE

Consumer Credit

LEASINT

Leasing

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

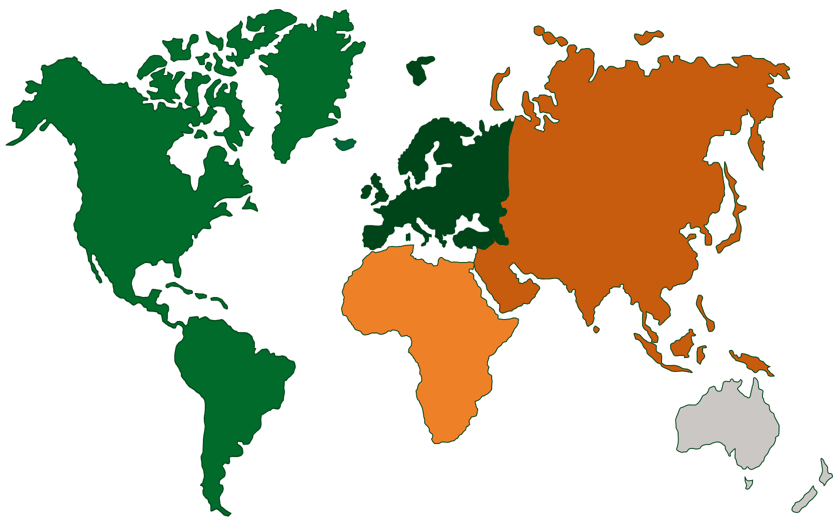
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

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

EUROPE

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



Paese	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	220
Czech Republic	VUB Banka	1
Greece	Intesa Sanpaolo Bank Albania	1
Hungary	CIB Bank	145
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	81
	Banca CR Firenze Romania	16
Russian Federation	Banca Intesa	78
Serbia	Banca Intesa Beograd	206
Slovakia	VUB Banka	244
Slovenia	Banka Koper	54
Switzerland	Banca Fideuram	1
	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	410
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 31 December 2010
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) Representative office of Banca IMI
(3) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(4) Representative offices of Intesa Sanpaolo and BIIS
(5) Representative office of BIIS

Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

CIB INVESTMENT FUND MANAGEMENT
EurizonCapital s.a.
FIDEURAM Asset Management
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Managment

CIB LÍZING
INTESA LEASING BEOGRAD
PBZ LEASING
VÚB LEASING

Leasing

EurizonLife

Insurance

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

Supervisory Board

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

Management Board

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

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

(*) Deputy to the CEO

Letter from the Chairmen

Distinguished Shareholders,

The phase of recovery in the economy has been confirmed by a global growth rate near 5%. As a result of support from expansionary fiscal and monetary policies, many countries have managed to come back to levels of economic activity not far from their pre-crisis levels. Nonetheless, these recoveries were not large enough to reabsorb the unemployment created in the meantime by the reduction in production capacity. Moreover, the repeated doubts which have circulated regarding the stability of public finances in several European countries have triggered sharp turbulence in the financial markets, and this generated an increase in funding costs for countries burdened by high or increasing levels of structural debt, which also affected the cost of money paid by the leading private entities.

In this scenario, Intesa Sanpaolo had no difficulties in locating the funds required for its normal operations of lending to businesses and households. Thus, in such a difficult, high risk context, our Group confirmed its reputation of soundness and complete reliability, deriving from its traditional model which guarantees well-balanced overall assets.

Over the last year, the Bank continued to pursue management policies with a medium-term focus, continuing to pay significant attention not only to costs and revenues, but also to liquidity, capital soundness and risk containment.
Operating profit – with consolidated net income down by 3.6% on the previous year – is the result of opposing factors. The positive performance of net fee and commission income and the decreases in operating costs and adjustments to loans were offset by interest margins at record lows and tensions on the Euro market which significantly penalised trading.

In the line with a sustainable profitability policy, the distribution of one billion euro of dividends, amounting to 0.08 euro per ordinary share and 0.091 euro per savings share has been proposed to the Ordinary Shareholders' Meeting. We trust that our shareholders will appreciate this decision, taken at a time of great difficulty for banks, which are being asked to handle increasingly strict regulatory requirements on the one hand and, on the other, ongoing volatility in the financial markets.

* * * * *

During the year just ended, the provision of the Articles of Association requiring executive members to serve on the Management Board was fully applied. As a result, the governance model was refined further, introducing specific Commissions in the Management Board, for the purpose of analysing Lending and risks, capital adequacy, the business plan and extraordinary transactions. The initial results of the Commissions' work have all been positive, also due to the overall balance guaranteed by the effective relationship between the Supervisory Board and the Management Board.

In the second half of 2010 the Supervisory Board and the Management Board launched a strategic planning operation for the next three-five years. The macroeconomic instability which returned to centre stage following the period defined as the "Great Moderation" makes it extremely difficult to foresee future trends in the main macroeconomic variables. However, the primary purpose of strategic planning is to expand the analysis and assessment of the Group's structural and operating features, in order to understand how our Bank will deal with the various possible scenarios, while ensuring balanced growth over the medium/long term.

Giovanni Bazoli Andrea Beltratti

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 2010 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 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 certain other alternative performance measures – not taken from or directly attributable to the Consolidated financial statements.
Information on corporate governance and ownership structures required by Art. 123 bis of the Consolidated Law on Finance is set forth, as permitted, in a separate report, approved by the Management Board and published together with these financial statements. This report can be viewed in the Governance section of the Intesa Sanpaolo internet site, at www.group.intesasanpaolo.com.
This same section of the site provides the disclosure required by Basel 2 Pillar 3, as well as press releases published during the year and other financial documentation.

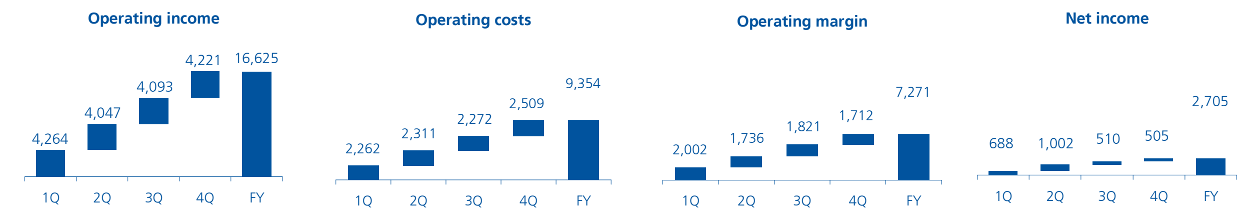
REPORT ON OPERATIONS

OVERVIEW OF 2010

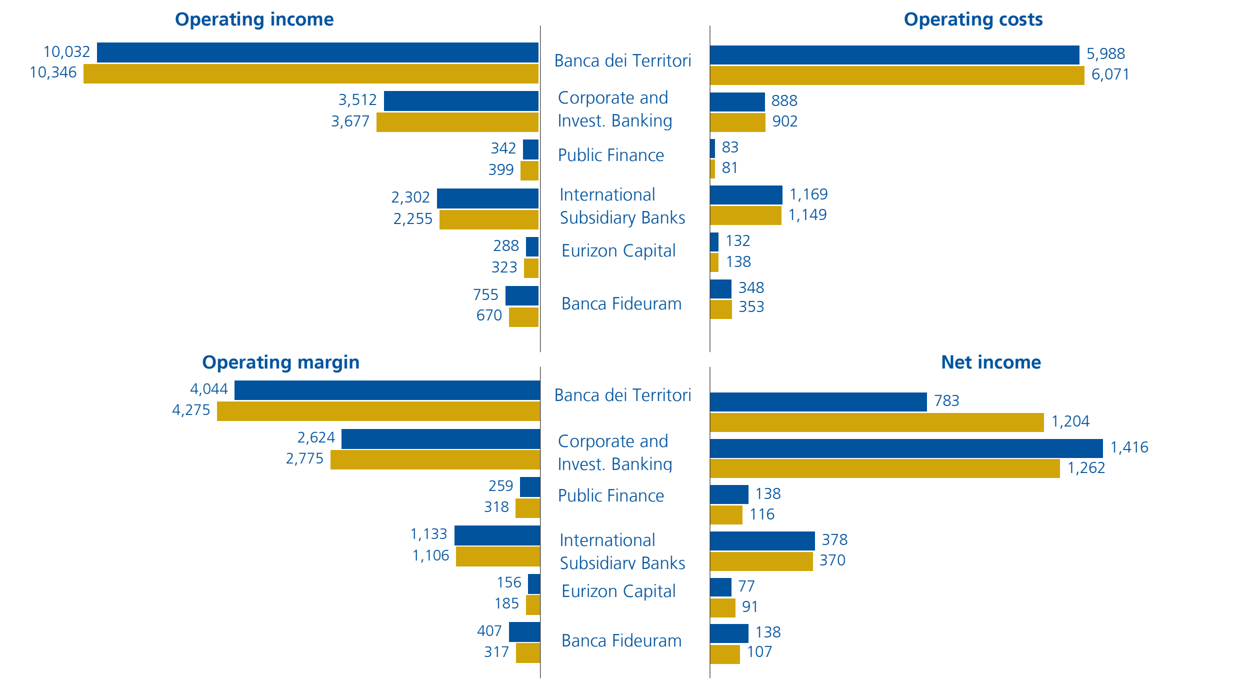
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	2010	2009	Changes amount	Changes %
Net interest income	9,768	10,525	-757	-7.2
Net fee and commission income	5,671	5,364	307	5.7
Profits (losses) on trading	464	1,122	-658	-58.6
Income from insurance business	654	589	65	11.0
Operating income	16,625	17,659	-1,034	-5.9
Operating costs	-9,354	-9,523	-169	-1.8
Operating margin	7,271	8,136	-865	-10.6
Net adjustments to loans	-3,108	-3,706	-598	-16.1
Income after tax from discontinued operations	694	169	525	
Net income	2,705	2,805	-100	-3.6

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



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



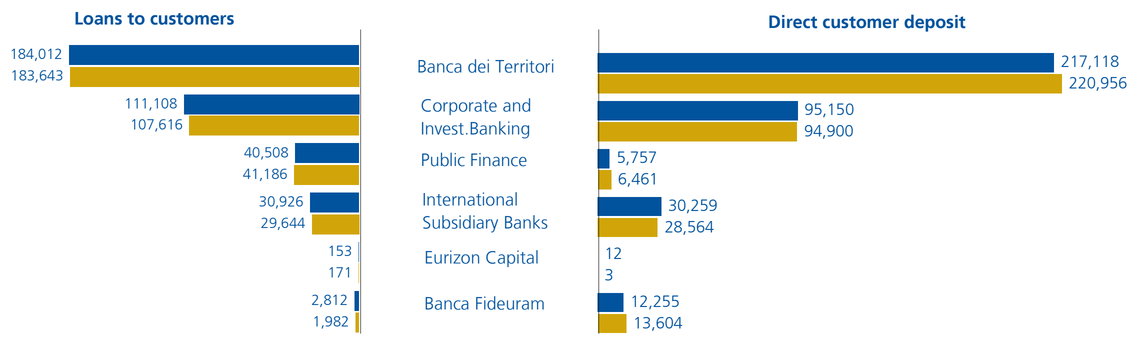
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

2010
2009

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)			Changes amount	Changes %
Loans to customers	379,235	375,454	3,781	1.0
Direct customer deposits	427,191	425,159	2,032	0.5
Indirect customer deposits:	427,189	424,452	2,737	0.6
of which: Assets under management	*233,553*	*232,143*	*1,410*	*0.6*
Total assets	658,757	652,344	6,413	1.0
Shareholders' equity	53,533	52,681	852	1.6

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



Operating structure	**2010**	**2009**	**Changes amount**
Number of employees	**102,501**	**103,625**	**-1,124**
Italy	71,124	70,660	464
Abroad	31,377	32,965	-1,588
Number of financial advisors	**4,349**	**4,292**	**57**
Number of branches [(a)]	**7,570**	**7,933**	**-363**
Italy	5,809	6,041	-232
Abroad	1,761	1,892	-131

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

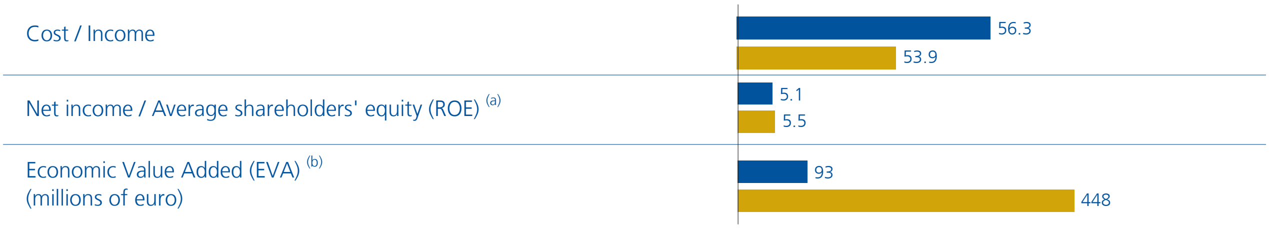
[(a)] Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

2010

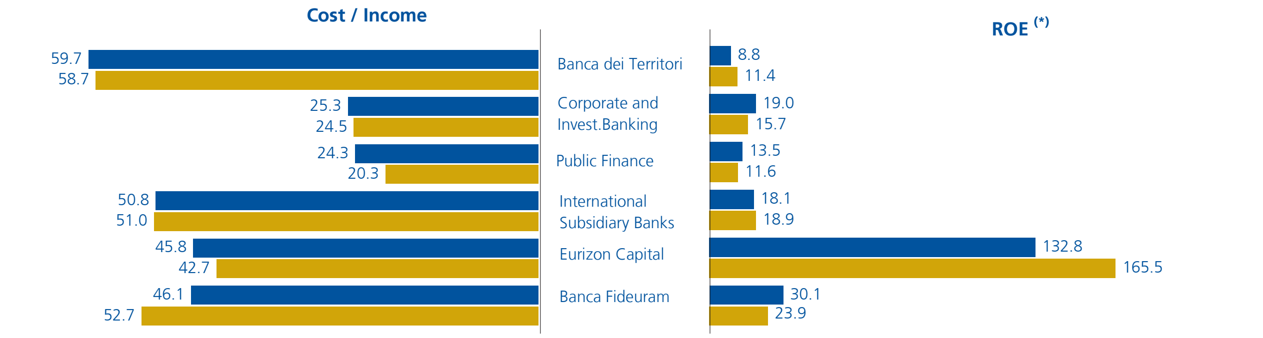
2009

Other alternative performance measures

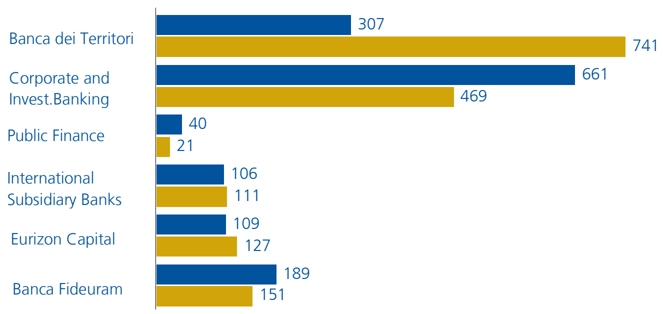
Consolidated profitability ratios (%)



Profitability ratios by business area (%)



Economic Value Added (EVA)
(millions of euro)



Consolidated risk ratios (%)

Net doubtful loans / Loans to customers	1.9	1.4
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	64.3	67.4

Consolidated capital ratios (%)[(d)]

Tier 1 capital [(e)] net of net of ineligible instruments / Risk-weighted assets (Core Tier 1)	7.9	7.1
Tier 1 capital [(e)] / Risk-weighted assets	9.4	8.4
Total capital [(f)] / Risk-weighted assets	13.2	11.8
Risk-weighted assets (millions of euro)	332,158	361,648

Earnings per share (euro)

Basic earnings per share (basic EPS) [(g)]	0.21	0.22
Diluted earnings per share (diluted EPS) [(h)]	0.21	0.22

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

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

(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) Ratio between Net income and Allocated capital.

(d) Ratios are determined using the methodology set out in the Basel 2 Capital Accord.

(e) 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.

(f) 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.

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

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

2010
2009

Stakeholder map

SHAREHOLDERS		2010	2009
Institutional investors Small investors Foundations Market	Number of ordinary shares (thousands)	11,849,332	11,849,332
	Share price at period-end - ordinary share (euro)	2.042	3.165
	Average share price for the period - ordinary share (euro)	2.479	2.569
	Average market capitalisation (millions)	31,209	32,228
	Shareholders' equity (millions of euro)	53,533	52,681
	Book value per share (euro)	4.519	4.447
	Long-term rating		
	Moody's	Aa2	Aa2
	Standard & Poor's	A+	AA-
	Fitch	AA-	AA-

Figures for 2009 not restated. Book value per share does not consider treasury shares.

CUSTOMERS		2010	2009
Households SMEs Corporates Consumer Associations Public Authorities and Public Administration	Number of customers (million)	19.8	19.7
	Retail customers by average account seniority (years)	9.3	9.6

Figures for 2009 not restated.

EMPLOYEES		2010	2009
Apprentices Clerical staff Middle and junior managers Senior managers Trade unions	Employees by gender: men (%)	46.5%	46.6%
	Employees by gender: women (%)	53.5%	53.4%
	Employees with university degree (%)	39.3%	38.6%
	Turnover rate (%)	-0.9%	-5.2%
	Training days per employee	9.4	9.2

Figures for 2009 not restated.

COMMUNITY		2010	2009
Stakeholder associations Non-profit organisations National and international public institutions Community Territory Media	Donations (million)	22.1	16.0
	Sponsorships (million)	38.5	38.8

Figures for 2009 not restated.

ENVIRONMENT		2010	2009
Environmental Associations Future Generations	CO_2 emissions per employee (Kg)	1,095	1,470
	Electricity consumption per employee (KWh)	5,975	6,099
	Paper consumption per employee (Kg)	101	99

Figures for 2009 not restated.

SUPPLIERS		2010	2009
Trading partners Large-scale suppliers Small suppliers	IT services	26.0%	26.9%
	Real estate management	25.4%	24.9%
	Purchase of goods and services	19.9%	19.4%
	Professional and legal expenses	17.5%	17.7%
	Advertising and promotional expenses	5.6%	5.4%
	Other expenses	5.6%	5.6%

Figures for 2009 not restated.

Executive summary

Intesa Sanpaolo in 2010

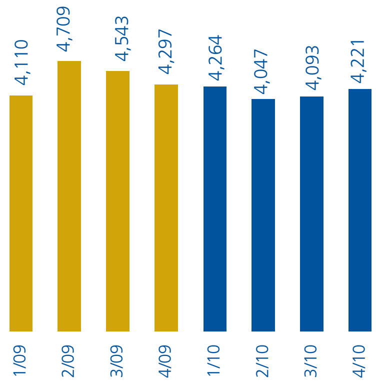
Economic trends in 2010

2010 was a year of economic recovery, as a result of the key contribution of monetary and fiscal stimuli, but also a year of severe tensions due to government debt quotations in the Eurozone. The international environment was favourable. Global production and trade flows grew at a relatively sustained pace, although only emerging countries can be said to have returned to their values prior to the financial crisis and the recession. Italy's GDP rose 1.2%, less than the Eurozone average, where growth was 1.7%, compared to 2.8% in the United States.
The level of official ECB rates remained unchanged. The Central Bank continued to fully meet the demand for liquidity, however, in the second half of the year, monetary rates began to gradually normalise, in parallel with the partial reduction of excess reserves with European banks. Euribor rates were thus subject to modest upward pressure as a result: the monthly rate rose 33 basis points on the 0.45% at the end of 2009.
The sovereign debt crisis hit Greece in the early months of 2010 and led to serious tensions on peripheral markets in May, forcing ECOFIN to announce a special financial stabilisation mechanism for countries in difficulties and the ECB to launch a government bond purchase programme on the secondary market. After some months of easing, in autumn the crisis deepened once again, hitting Ireland and Portugal and straining the debt risk premiums of other countries in the Eurozone. The loss of confidence in European government debt was also reflected in euro exchange rates, resulting in the weakening of the Euro.
In this context, in 2010 the banking rates fell to historically low levels, hitting new lows in the first half of the year, before starting to reverse their trend. During the summer the rise in market rates was accompanied by small monthly increases in bank rates. However, given the small size of the changes, the annual average was lower than that of 2009. Given low rates, the margins on lending and deposit collecting activities remained narrow and lower than the 2009 average.
In the wake of the economic recovery, the performance of bank loans grew steadily stronger. Following a weak first half, in the last part of the year, loans to households and businesses grew moderately linked to the resumption of the demand for corporate loans to support production. Loans to non-financial companies began growing once again in the fourth quarter 2010. At the same time, loans to households kept up their good performance, driven by the rise in home purchase mortgage loans and favoured by the low interest rates on new lending transactions. Throughout 2010, the Italian banks recorded growth in loans to households higher than the Eurozone average; the rebound in loans to non-financial companies was also more marked than the Eurozone average.
Throughout 2010, the customer funding of Italian banks showed a gradual slowdown in its main components, after the particularly strong growth recorded in 2009. In annual average terms, growth in customer funding was relatively robust, higher than the growth in loans. Moreover, at international level, the customer funding of Italian banks confirmed its better performance than the Eurozone.

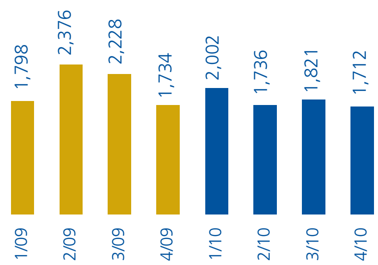
The results for 2010

In a scenario featuring a slight recovery in the economy and marked by tension concerning the creditworthiness and financial condition of several European countries, which has continued to affect market performances, the Intesa Sanpaolo Group (hereinafter, also ISP) achieved a net income of 2,705 million euro in 2010, down slightly compared to 2009.
The downturn compared to the previous year was essentially due to lower operating income, which was significantly affected by the operating context marked primarily by exceptionally low interest rates, which resulted in a significant decrease in contribution of money management.
The positive performance of fee and commission income and the constant operating cost containment policies were unable to offset the lower net interest income and the reduced contribution of profits on trading, which was impacted by market volatility caused by the sovereign debt crisis.
Then, the lower need for credit risk adjustments – while still at high levels – was partially offset by lower benefits from equity investments.
The contribution of non-current assets held for sale and discontinued operations – which includes net capital gain of approximately 650 million euro on the sale of the securities services business to State Street Co. – and the lower merger and restructuring-related charges were offset by a higher tax burden compared to 2009, which had benefited from the positive effect of the redemption of intangible assets and employee termination indemnities.
Comparing the figures from the fourth quarter with those of the previous quarter – featuring similar market and operating conditions – also highlights an encouraging recovery in operating income attributable to higher commission and fee income, given the substantial stability of interest. Despite higher operating costs and moderate growth in provisions and value adjustments, net income for the fourth quarter was in line with that of the previous three months.

Operating income
(millions of euro)

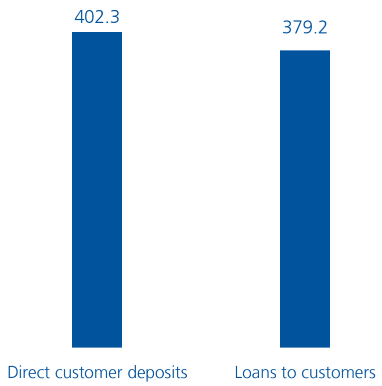


Operating margin
(millions of euro)



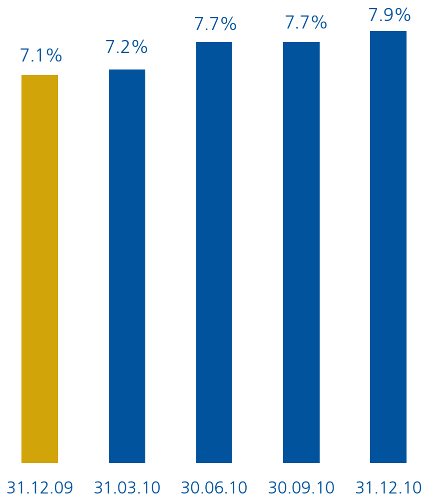
The still unstable operating context, albeit with signs of improvement, confirms the appropriateness and effectiveness of the careful management of the Group's liquidity, capital base and risk profile.
In terms of liquidity, the Group continues to maintain customer deposits that are more than sufficient to cover the corresponding loans to customers. Over 70% of customer deposits derives from the retail segment and, therefore, is highly stable. Eligible assets with central banks remain at significant levels (around 54 billion euro at the end of the year).
The placement of bond issues for the international market as well as institutional investors (14 billion euro in 2010) and retail customers (18 billion euro in 2010) continued. The diversification of sources in fact continues to be one of the Group's main strengths. In terms of capital adequacy, the capital ratios were suitable, with Core Tier 1 at 7.9%, Tier 1 at 9.4% and a Total capital ratio of 13.2%, reflecting the success of the transactions carried out during the period aimed at strengthening the capital base.

Direct customer deposits [1] **/**
Loans to customers
as at 31.12.2010 (billions of euro)



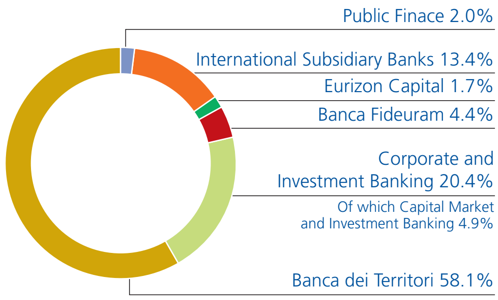
[1] Excluding financial liabilities from insurance business

Core Tier 1 ratio



The Bank's risk profile remained low, despite the trend in the trading book VaR, linked to the increase in the volatility of the spreads on government issues. Indeed, the Group continues to favour retail banking operations and maintaining a limited and diversified presence in international markets.

Operating income:
Breakdown by business area (1)



(1) Excluding Corporate Centre

Market risks trend:
operational VaR (millions of euro)

Coming to the various items of operating income, the income statement for 2010 showed net interest income of 9,768 million euro, 7.2% down on 2009, with, however, the fourth quarter substantially in line with the previous quarters. The year-on-year comparison is influenced by the fall in Euribor rates, the elimination of overdraft charges from July 2009 and the lower average volume of loans.
The services segment generated net fee and commission income of 5,671 million euro which, increasing by 5.7%, represented over one-third of operating income in 2010. Increases were mainly reported in fees and commissions on asset management and financial instruments dealing (+6.9%), but also in fees and commissions on banking activities (+2.7%) and in other fees and commissions (+9.3%). On a quarterly basis, the contribution of fee and commission income is even higher (+14% on the third quarter).
Profits on trading (464 million euro compared to 1,122 million euro in 2009) were mainly affected – under volatile market conditions – by the downturn in profit on trading of debt instruments and interest rates and, though to a lesser extent, foreign currency transactions. The contribution in the fourth quarter was also substantially in line with that of the previous three months.
The contribution from the insurance business – which includes the contribution from Intesa Vita after acquiring the total control of the company – amounted to 654 million euro, with significant year-on-year growth (+11% on a like-for-like basis) as a result of development of the life business, favoured by the policy business carried out through bank branches.
Operating income for 2010 totalled 16,625 million euro, a modest decrease (around -5.9%) compared to 2009, but up in the fourth quarter compared to the previous three months (+3.1%). As indicated above, the year-over-year decrease was mainly influenced by the different climate on the money and financial markets in the two years.
The Group continues to carefully monitor operating costs (9,354 million euro, -1.8%) and implement ongoing, effective structural cost-containment measures. More specifically, the reduction in personnel expenses compared to the previous year (-0.8%) was confirmed, despite the contractual adjustments effective from the second half of 2009, whilst administrative expenses and adjustments were down 1.4% and 11.2% respectively.
The operating margin, amounting to 7,271 million euro, a 10.6% decrease compared to 2009, limited to 6% in the fourth quarter compared to the previous quarter. As previously indicated, the year-on-year decrease was the result of the slowdown in revenues, only partly offset by cost reductions, while the quarter-over-quarter decrease was mainly affected by the increase in recurring costs at the end of the year.
Adjustments to assets and net provisions for risks (3,561 million euro in 2010) were down by a total of 683 million euro on the same period in 2009. Specifically, adjustments to loans, amounting to 3,108 million euro, fell by over 16% on the previous year despite the continued high level of coverage ratios for non-performing loans.
Income before tax from continuing operations was 3,983 million euro, down about 10% compared to 2009. This downturn was also the result of lower profits on investments held to maturity and on other investments, falling from 545 million euro in 2009 (essentially regarding the sale of minority interests in Findomestic and Esaote), to 273 million euro in 2010. Most of the latter (255 million euro) derived from the application of IFRS 3 in recognising the acquisition of control of Intesa Vita.
Net income for 2010, as previously indicated, came to 2,705 million euro, down 3.6% on the 2,805 million euro in 2009. It should be noted that the amounts for both periods were also affected by non-recurring factors: the 2010 accounts reflected the capital gain, after tax, of approximately 650 million euro realised on the sale of the securities services business, whereas the previous year enjoyed much lower taxes as a result of intangibles detaxation and employee termination indemnities, which yielded a net benefit of 537 million euro.
Profit for the fourth quarter (505 million euro) was quantitatively in line with that of the previous three months.

The amounts of the balance sheet aggregates confirmed the Group's sound financial position. Direct customer deposits stood at 427 billion euro (+0.5% compared to the end of 2009), whilst loans to customers, despite the still difficult macroeconomic environment, grew by almost 4 billion euro, exceeding 379 billion euro.
Indirect deposits (net of the dealings attributable to the securities services business, sold in the second quarter), totalled 427 billion euro, up 0.6% on the end of 2009, mainly due to the positive performance of assets under management and life insurance policies.
The performance of the business units varied compared to 2010.

Banca dei Territori reported net income of 783 million euro, down approximately 35%, mainly due to the fall in market rates – which resulted in a significant reduction in the mark-down – and the elimination of overdraft charges from July 2009. The contribution of net fee and commission income increased, also in relation to the positive performance of the asset management segment.
The Corporate and Investment Banking Division reported a growth in income (about +12% to 1,416 million euro), despite the lower contribution from operating income, affected by the trend in average volumes of loans - mainly in relation to the increasing attention to the qualitative breakdown of the portfolio - only partially offset by higher fee and commission income. The lower need for adjustments also had a positive impact.
Public Finance ended the year with a net income of 138 million euro, an increase of 19% on the previous year. The decrease in net operating income – attributable to the trend in interest rates, only partially compensated by the positive performance of fee and commission income – was offset by the lower adjustments to loans.
The International Subsidiary Banks Division reported growth in net income (about +2.2% to 378 million euro), due to the increase in operating margin and lower adjustments to the loan portfolio, which were mostly offset by the greater tax burden.
Profit for Eurizon Capital decreased (about -15% to 77 million) in relation to the lower contribution of fees and commissions.
Banca Fideuram, on the strength of the growth in operating income and in net fee and commission income and trading profits in particular, closed the year with a net income of 138 million euro, up by 29%.

Highlights in the year

Also in 2010, activity was marked by attention to the factors that the market continues to consider significant in the current banking environment: solidity, liquidity and risk profile.
As to ***solidity***, Intesa Sanpaolo ranks among the soundest international banking groups. 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 4.5%.
All capital ratios improved compared to 31 December 2009. The total capital ratio stood at 13.2%, while the Group's Tier 1 ratio was 9.4%. The ratio of Tier 1 capital net of excluded components to risk-weighted assets (Core Tier 1) was 7.9%. The ratios were calculated taking into account the dividend that the Management Board will propose that the Shareholders' Meeting distribute based on the 2010 profit, for a total amount exceeding one billion euro, and the application of the internal model for determining capital requirements for residential mortgages granted to private individuals and the AIRB model for the corporate segment, as a result of the authorisations granted by the Bank of Italy.
Pursuant to the requirements of Pillar 2 of the Basel II Accord, 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.

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 also established liquidity reserves (consisting of a high amount of eligible assets, a large portion of which are highly liquid) to cover the Bank's operational requirements for a long period, also in the event of a (highly unlikely) liquidity crunch in the wholesale market (money market and bond market).
As for funding on the institutional market, Intesa Sanpaolo continued to develop its strategy of diversifying funding sources. An initial US$ 1 billion issue aimed at qualified institutional buyers on the US market was implemented in August 2010, as part of the new US$ 15 billion Medium Term Notes 144a programme that was finalised in July.

With regard to ***risk profile***, Intesa Sanpaolo confirms that its main role is that of a "Bank for the Country" focused on the commercial bank business model, where domestic retail banking, though affected by market yields at all-time lows, 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. Indeed, 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 continuously 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 64%) and, net of adjustments, account for 1.9% of net total loans.
The financial instruments in the trading book are low-risk, as shown by the VaR as at 31 December 2010 of 35 million euro (against an average value of 38 million euro in 2010).

With regard to the significant events during the year, in May, after obtaining the necessary authorisations, Intesa Sanpaolo finalised the sale of its securities services business to State Street Corp. for a consideration of about 1,750 million euro, of which about 1,280 million euro corresponds to the goodwill value, resulting in a net capital gain of about 650 million euro and a goodwill release of 531 million euro for the Intesa Sanpaolo Group, with a positive effect of 37 basis points on its Core Tier 1 ratio. In addition, in June Intesa Sanpaolo and Crédit Agricole finalised terms and conditions of the agreement governing the sale to the French group of the entire investment held through the subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of share capital), and 96 branches of the Group located throughout Italy, for a total consideration of approximately 740 million euro, the suitability of which to market conditions is borne out by the fairness opinion issued by an independent expert. The operation will be finalised in 2011.

Lastly, also in June 2010, Intesa Sanpaolo and Banca Monte dei Paschi di Siena finalised the sale of 50 branches of Banca Monte dei Paschi di Siena – mainly located in the provinces of Siena, Grosseto, Arezzo and Lucca - to Banca CR Firenze. The final price was determined as 193 million euro.

The outcomes of the 2010 EU-wide stress test coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank (ECB) and under the supervision of the Bank of Italy, in which Intesa Sanpaolo also participated, were published in July. The Intesa Sanpaolo Group passed the stress test carried out by the CEBS on the 91 major European banking groups. Under a what-if adverse scenario with an additional sovereign shock, the Group would register a Tier 1 ratio of 8.2% at year-end 2011 compared to the 8.3% ratio of year-end 2009 and the minimum level of 6% required for the purposes of this stress test, with a buffer of approximately 8.5 billion euro of Tier 1 capital against the threshold of the minimum capital adequacy ratio required for the purposes of this exercise.

At the end of the third quarter of 2010 Intesa Sanpaolo completed the acquisition of total control of Intesa Vita and Centrovita, as part of the restructuring of the Group's bancassurance segment.
As for Intesa Vita, on 20 March 2009, the Board of Directors of Alleanza Assicurazioni (Generali Group) approved the exercise of the put option granted by Banca Intesa on 50% of Intesa Vita. After this transaction, Intesa Sanpaolo committed to acquire 100% of Intesa Vita, once the necessary authorisations had been obtained from the Italian Antitrust Authority.
Following the approval of the transaction by said authority in September 2010, the closing of the transaction took place on 30 September. From an accounting standpoint, the acquisition transaction was accounted for in accordance with IFRS 3. This accounting standard requires that all assets and liabilities of the acquired company be measured at fair value, including the measurement of any intangible assets and, in the event of step acquisitions, requires that the investment held by the company before the acquisition be recorded at its fair value at the date of acquisition of control. Any difference must be recorded in the income statement.
As for Centrovita, in 2009 Banca CR Firenze and its subsidiary CR Pistoia sold to the Parent Company Intesa Sanpaolo all of their shares held in Centrovita, amounting to 43% and 8% of the share capital, respectively. Also in 2009, BNP and Cardiff exercised the put option to sell their Centrovita shares to the ISP Group, representing 49% of the share capital. This transaction was also subject to authorisation from the Italian Antitrust Authority.
Following the approval of the transaction by said authority in September 2010, the closing of the transaction took place on 29 September. In consideration of the control Intesa Sanpaolo already exercised over Centrovita, the acquisition was not recognised based on the provisions of IFRS 3, and did not result in the recording of new intangible assets or goodwill under balance sheet assets.
Eurizon Vita contributed the business line serving the financial advisors' networks of Banca Fideuram and Sanpaolo Invest to Fideuram Vita, a newly incorporated entity. The investment in Fideuram Vita was then sold to Intesa Sanpaolo and Banca Fideuram.
At the end of 2010, all the Group's equity investments in the bancassurance business (Intesa Vita, Eurizon Vita, Centrovita, Sud Polo Vita and Fideuram Vita) consisted of wholly-owned subsidiaries, which were fully consolidated in the financial statements as at that date.
On 22 December 2010, the Italian Antitrust Authority reviewed its measures on the life business of the insurance market, which had been laid down in December 2006 in relation to the merger of Banca Intesa and Sanpaolo IMI. During the preliminary investigation, launched last 30 September, the Italian Antitrust Authority once again analysed the life business segment of the insurance market affected by the transaction, also in light of the Group's restructuring in the insurance sector. As a result of this restructuring, Intesa Sanpaolo will operate through 100%-owned insurance companies and through the distribution network comprised of the bank branches and financial advisors which are part of the Intesa Sanpaolo Group network. Intesa Sanpaolo undertook new commitments with the Italian Antitrust Authority, which deemed such commitments suitable to tackle the competition restrictions which are still in place on the relevant markets. These commitments take the form of suitable rules for the purpose of preventing conflicts of role for Generali's representatives on the Supervisory Board, on the basis of the monitoring, reporting and maintaining the confidentiality of information during the preparatory phase and following meetings of the various governance bodies.

In October, Intesa Sanpaolo signed an agreement with Fondazione Monte di Parma for the acquisition of a majority stake in the share capital of Banca Monte Parma.
Under the purchase and sale agreement the Intesa Sanpaolo Group shall acquire 51% of the Banca Monte Parma share capital from Fondazione Monte di Parma at a price, following due diligence, determined at 137 million euro (subject to an additional adjustment upwards or downwards based on several parameters set forth in the contract), and subscribe, for an equal percentage, an initial tranche of the increase in the Banca Monte Parma share capital of 75 million euro, to be implemented through the issue of ordinary shares at net book value per share, reserved to shareholders. Intesa Sanpaolo has also undertaken to subscribe, or purchase at the subscription price, all unopted shares issued under this tranche of the share capital increase.
Moreover, in the event that the other shareholders who entered into the existing shareholders' agreement with Fondazione Monte di Parma, that collectively hold about 28% of the share capital of Banca Monte Parma, exercise their rights, the Intesa Sanpaolo Group undertakes to buy the Parties' shares.
Following the transactions described above, Intesa Sanpaolo shall acquire a total investment of up to 79% of the current share capital of the Bank, at a maximum price of about 202 million euro. If the purchase of the shares were to result in subscription of the entire tranche of the share capital increase of 75 million euro, the total maximum outlay would therefore be about 277 million euro, with a total investment of about 86% of the share capital.
Intesa Sanpaolo confirmed to the Fondazione Monte di Parma that it is willing to consider subscribing and freeing up the shares which will be issued for the purpose of a second tranche of the share capital increase of 45 million euro, including any unopted shares. The effective implementation and timing thereof shall be resolved by the Board of Directors of Banca Monte Parma.
As at 30 June 2010, Banca Monte Parma direct customer deposits amounted to about 2.3 billion euro, its indirect customer deposits to around 2.3 billion euro, customer loans to approximately 2.7 billion euro and net shareholders' equity was 156 million euro. Net income for the first half of 2010 was a negative 13 million euro.
Banca Monte Parma has a network of 67 branches in the provinces of Parma, Piacenza and Reggio Emilia.

During the year, operations were also carried out for the purpose of rationalisation of the Group structure. In addition to those illustrated regarding the bancassurance segment, these include the merger by incorporation of Casse del Centro into Cassa di Risparmio di Firenze and, with legal effect from 11 January 2010, the merger by incorporation of ZAO Banca Intesa Closed Joint Stock Company into KMB Bank, which changed its name to Banca Intesa Closed Joint Stock Company.

Information required by Bank of Italy, Consob and Isvap Documents

By document no. 4 of 3 March 2010, which followed the document issued in 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 standards – 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 "going concern" assumption, 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 that 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 2010 have been prepared in line with the going concern assumption. 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 going concern assumption.

As previously disclosed to the market, on 5 April 2011 the Management Board and the Supervisory Board of Intesa Sanpaolo will approve the 2011 – 2015 Business Plan.

THE MACROECONOMIC CONTEXT AND THE BANKING SYSTEM

The macroeconomic context and the banking system

The macroeconomic context

The economy

Thanks to the key contribution of monetary and fiscal stimuli, 2010 saw a trend towards recovery in the economy, but also, conversely, severe tensions due to government debt quotations in the Eurozone.
The international environment was favourable. Global production and trade flows grew at a relatively sustained pace throughout the year, although only emerging countries can be said to have returned to their values prior to the financial crisis and the recession. The GDP rebound was more than 4% in Japan and reached 2.8% in the United States.
Italy's GDP rose 1.2%, less than the Eurozone average. Growth was driven by internal demand and inventories, whereas the marked increase in imports generated an overall negative net export value. Domestic demand benefited from the positive trend in investment in means of transport and especially in machinery, favoured by tax incentives; despite the contraction in real disposable income, household consumption also grew, benefiting from a marked decrease in the propensity to save.
The level of official ECB rates remained unchanged during the year. The Central Bank continued to fully meet the demand for liquidity through open-market operations and extended the current extraordinary operation regime up to April 2011. However, in the second half of the year, European banks only renewed part of their maturing repurchase agreements, generating a two- thirds reduction in excess reserves. Euribor rates were consequently subject to modest upward pressure: the monthly rate rose 33 basis points on 0.45% at year-end 2009. During the year, demand for liquidity became increasingly concentrated: a number of peripheral banking systems (in Ireland, Portugal, Spain and Greece) were absorbing a much higher proportion of ECB funds than their economic weight. While Euribor rates showed modest increases, medium and long-term IRS rates continued to decline until the last week in August, which saw the start of a strong bounce-back. However, on the 5-year maturities, at year-end 2010 the rates (2.47%) were still 34 basis points lower than the previous year.
The sovereign debt crisis hit Greece in the early months of 2010, forcing the Eurogroup to launch with the IMF a substantial multi-year financial support and tax austerity programme. Far from reassuring the markets, the laborious launch of the aid package, which took place on 2 May, was accompanied by severe tensions on all peripheral markets, forcing Ecofin as early as 9 May, to announce a special European financial stabilisation mechanism to Member States in difficulties, and to promote an agenda for the reform of macroeconomic and fiscal surveillance. Concurrently, the ECB launched a government bond purchase programme, leading to the overall withdrawal of 73.5 billion euro bonds from the secondary market by the end of the year.
After some months of easing, in autumn the crisis deepened once again, forcing Ireland and Portugal to issue government bonds at high costs. While Portugal continued to refinance on the market, at the end of November Ireland was forced to seek financial support from the EU and IMF on account of the profound distress of its banking system. The resolution of the Irish crisis did not assuage the investors' doubts as to the refinancing capabilities of other Eurozone countries or on the inadequacy of the current safeguarding mechanisms; consequently, the risk premiums on government debt remained high. The BTP-Bund spread on 10-year maturities, which had risen from 75 to 144 basis points in the second quarter of 2010, peaked at 201 basis points at the time of Ireland's crisis, thereafter fluctuating between 153 and 186 basis points, more than double the levels at the start of the year. The Italian bond spread performance was relatively better than that of the other peripheral European countries, including Spain.
The loss of confidence in European government debt was also reflected in euro exchange rates. The exchange rate against the US dollar saw a loss of 31 points from December 2009 to June 2010, when it hit a low of 1.19. Thereafter, the curve turned upwards, also driven by the positive performance of rate spread, reaching a peak of 1.42 US dollars; however, the renewed deepening of the crisis in autumn weakened it once again in the last two months of the year. The impact of the crisis was even stronger on the exchange rate of the euro with the Swiss franc, which went from 1.49 at year-end 2009 to 1.25 at 31 December 2010.

The financial markets

Throughout 2010, the performance of the international stock markets was very uneven, with contrasting trends and high levels of price volatility.
At the start of the year, the stock indexes lost ground on account of the uncertainties on the actual strength of the economic recovery under way and, as concerned European markets, due to the early signs of the Greek crisis. Thereafter, between February and early April, the trend returned to positive, driven by 2009 results which were overall better than consensus forecasts, and by favourable liquidity conditions.
In the second quarter, the stock markets, particularly in the peripheral European countries, suffered the heavy impact of the sovereign debt crisis, with sharp falls in prices; fears of new potential losses in the European financial system and renewed concerns as to the extent of the economic recovery, generated a marked increase in risk aversion among investors.

However, the start of the third quarter saw a trend reversal: the markets showed a significant recovery in prices, which continued until the beginning of October. The turnaround was driven by generally improved half-year results and sustained favourable liquidity conditions; economic recovery continued at a moderate rate, albeit at a slower pace than in the early months of the year.
Finally, in the last months of 2010, the markets were once again hit by the impact of the European sovereign debt crisis, with the "peripheral" markets being the worst affected by the fear of a knock-on effect. The investors' risk aversion remained unusually high for most of 2010, reflecting strong concerns for the public finance imbalances affecting a number of Eurozone countries.

During 2010, the S&P index rose 12.8%, in line with the rise in the DJ Composite (+13.1%). The performance of the main European indexes was very varied. DAX closed the year with a significant increase (+16.1%), reflecting the recovery of the German economy; FTSE 100 rose by 9.0%, whereas the CAC 40 index recorded a slight decrease (-3.3%). The Euro Stoxx remained largely unvaried (+0.5%, after falling by -10% at mid year). The Chinese stock market posted a marked decline, with the Sse Composite index falling by -14.5%, whereas the Japanese Nikkei posted a more moderate decline, closing the year at -3.0%.
The Italian stock market performed less brilliantly than the major Eurozone indexes, reflecting the investors' greater aversion for the "peripheral" markets of the area and the greater relative weight of the financial segment. The FTSE All Shares index fell 11.5% from the beginning of the year (-16% at mid year), whereas the FTSE MIB lost 13.2% (-17% in June 2010). Mid-cap stocks continued to perform better than blue chips: in particular, the FTSE Italia STAR index closed 2010 with a slight increase (+2.9%).
The performance of the European corporate bond market in 2010 was uneven by segment and type of security. The investment grade segment recorded overall negative performance, particularly marked for financial securities. The derivatives segment also posted substantial losses, due to the increase in risk premiums for all the main European iTraxx indexes (Credit Default Swap indexes). The non-investment grade bond segment continued to record a positive performance, with a narrowing of rate spreads.
After a slightly negative start of the year, the market had commenced to move towards a decrease in risk premiums, driven by the reassuring signals coming from the macroeconomic scenario. Subsequently, however, the tensions generated by the Greek crisis triggered an intense correction phase, which deepened following the Irish crisis and due to the fears of contagion spreading to the other peripheral Eurozone countries.

The emerging economies and markets

In 2010 the GDP growth of the emerging economies gained considerable momentum (exceeding 7% based on International Monetary Fund estimates, compared to 2.6% in 2009). The pace of growth was stronger in the regions and countries which proved able to replace the original stimuli provided by fiscal policy and foreign trade with autonomous growth in private domestic demand. The fastest growth rates were recorded by the emerging economies of Asia, led by China and India, whose preliminary growth estimates are around 10%, and by those of Latin America, with Brazil, whose GDP rose more than 7%. As for MENA (Middle East and North Africa), oil producing countries benefited from the renewed growth trend in gas and oil prices and demand, while non-oil producers benefited from the greater foreign revenues (exports, money transfers from migrant workers and tourism) as well as from international capital flows. GDP growth in Egypt, which had been 5.3% in the fiscal year that ended in June 2010, in the following quarter rose to 6%. Again in 2010, mean GDP growth in Gulf countries was close to 5%.
Eastern European countries performed differently according to their subgroups. Many countries (Slovakia, Slovenia and Hungary) returned to positive GDP growth values, also thanks to the recovery of exports to the EU. In CEE (Central and Eastern European) countries where Intesa Sanpaolo operates through subsidiaries, 2010 GDP growth is estimated at about 2%. The SEE (Southern and Eastern European) countries, where due to the weak financial position of households and enterprises the private sector reacted to the crisis with a sharp contraction in consumption and investment demand, displayed a slower recovery. In some of these countries, the recession continued into 2010, in particular, in Croatia and Romania; this was only partly balanced by the recovery recorded in Bosnia and Serbia and by the positive performance of Albania. In the SEE countries where Intesa Sanpaolo operates through its subsidiaries, the estimated GDP change in 2010 was still negative at -0.9%, but improved from -5.5% in 2009. Lastly, in the CIS countries GDP rebounded in 2010 to a growth rate of about 4%, after its marked -6.5% dip in 2009. These countries mostly benefited from the pick-up in commodity prices and demand (Russia) but also from domestic political stabilisation (Ukraine).
The recovery of the economy and the rise in commodity prices triggered a widespread acceleration of inflation. The trend rate of growth on a large sample of countries accounting for more than 70% of the total GDP of emerging countries rose to 6.2% in November 2010 from 5.7% at the end of 2009. The most significant accelerations were recorded in some Asiatic countries (China and Indonesia) and in Latin America (Brazil). Prices started to rise again, especially in the last part of the year, in the MENA countries. In Eastern European countries too the inflation rate, albeit decreasing in mean value compared to 2009 picked up again during the last part of 2010 driven by the increase in food prices due to the drought (Russia, Ukraine and Serbia) or as a result of fiscal measures (Romania).
During 2010, many emerging countries started to adopt restrictive monetary policy measures. This action was more intense and widespread in Asia and Latin America, where clear risks of overheating the economy and prices emerged. In Eastern Europe, the slowdown of inflation and the continuing weakness of the economic cycle had favoured, in the first half of 2010, a decline in monetary rates in some countries (Romania, Russia, Serbia, Ukraine and Hungary). However, in the second half of the year, new inflation pressures (Russia), coupled with currency weakness (Serbia and Hungary) prompted the monetary authorities to implement restrictive monetary actions.
On the capital markets, the stock market bull phase which had started in the second quarter of 2009 continued in 2010. The momentary correction of trends recorded in the second quarter of 2010, reflecting fears on the sustainability of growth, did not prevent the year from closing on a positive note.
In detail, in 2010 the MSCI Emerging Markets Index gained almost 12%, after rising by almost 60% in 2009. This index performed slightly worse than the US market (S&P Composite Index +12.8%) but better than the Euro area (-0.1%) and Japan (-3%). The gains were led by the Asian stock markets (with the greatest increases recorded in Indonesia, Thailand and the Philippines), those of Latin America (Argentina, Chile and Peru) and in Eastern Europe (especially the Baltic countries and Ukraine). In the MENA region, Egypt, Morocco and Tunisia recorded two-digit rises. The weakness of some Central and South Eastern European countries reflects the concerns for the more uncertain outlook of the economy and financial markets in Europe.
During 2010 the US dollar depreciated further against the emerging currencies (declining by 3.6% against the OITP – Other Important Trading Partners currencies). The strongest currencies were those of the countries with the fastest-growing economic outlook (mainly in Asia), those with the highest interest rates (especially in Latin America) and commodity-exporting countries (such as South Africa, Australia and some Latin American countries such as Chile and Peru). In Eastern Europe, certain currencies under a floating exchange rate regime of the SEE countries having the greatest external budget and financial imbalances

(Romania, Serbia and Albania) but also those of some CEE countries (Hungary) depreciated against the euro, while the currencies of countries with fixed exchange rate (Bosnia and the Baltic countries) or quasi-fixed rates (Croatia) remained stable. The currencies of Russia and Ukraine remained stable against the US dollar, supported by the improvement in the financial environment, the favourable development of commodity prices and, in the case of Ukraine, also by greater political stability.
The spreads on sovereign debt in most emerging countries of Latin America and Asia at the end of 2010 were narrower than end-2009 levels. For Latin America, the spread of the EMBI+ (Emerging Market Bond Plus) composite index declined to 306 basis points at the end of 2010 from 328 basis points at year-end 2009, whereas for Asiatic countries the same index rose to 165 basis points at year-end 2010 from 204 basis points at year-end 2009. In several Eastern European countries (including, among others, Croatia, Hungary and Romania) the spreads resumed a widening trend during 2010 due to concerns about the sustainability of external accounts and to the contagion of the financial turbulence which was affecting the government bond markets in some Eurozone countries. A countertrend was recorded in Ukraine, where the spread narrowed again significantly, returning to its summer 2008 levels (below 500 basis points).
In 2010 there was a marked prevalence of upgrades among the emerging countries and improved outlook opinions by rating agencies. More specifically, the agencies recognised the rebound of the economy as well as the effective tackling of the crisis by Latin American countries (Argentina, Bolivia, Chile, Colombia and Peru) and furthermore acknowledged the progress made on the path towards economic and financial stabilisation by several Eastern European countries (Ukraine and the Baltic countries). Finally, they recognised specific growth stories (Korea, Morocco and Turkey).

The Italian banking system

Rates and spreads

In 2010 the banking rates fell to historically low levels, hitting new lows in the first half of the year, before starting to reverse their trend. Indeed, during the summer the rise in market rates was accompanied by small monthly increases in bank rates.
Rate rises were initially seen in new loans to enterprises, which in the second half of the year rose by more than half a point on the first six months. Cumulating the small movements which started in the summer of 2010, the average rates on new loans to non-financial companies, while remaining historically low, reached the highest values since mid-2009. The other lending rates only showed minor changes. The average rate on new mortgage loans to households rose in the second half of the year by about ten cents on the first half of 2010. In the light of these modest changes, the average annual level of lending rates on current loans was markedly lower than in 2009.
After the first six months of minor cuts, the average rate on overall customer funding also saw the first small increases in the second half of the year, although still remaining close to the all-time lows. In annual average terms, the funding rate was almost half a point lower than that of 2009. Among the components of the average funding rate, while the rates on household and business deposits (including repurchase agreements) only showed marginal adjustments, in the fourth quarter the rate on current bonds increased more markedly, returning to early 2010 levels.
In an environment marked by low rates, the margins on lending and deposit collecting activities remained historically narrow and lower than the 2009 average. The spread between average lending and funding rates remained unchanged during the year at 2.15%, but one fourth of a point lower than the average value in 2009. The spread on funding, measured on short-term interest rates, improved in the second half of the year as a result of the rise in money market rates (the mark-down on the 1-month Euribor increased threefold from the 0.15% average for the first six months to the 0.46% average of the forth quarter). However, in annual average terms, the mark-down was lower than the average level in 2009 (by about -10 cents at 0.27%). As to the mark-up on the 1-month Euribor a moderately downward trend was recorded during the year (average annual value was 3.46% compared to 3.86% in 2009). Given these trends, the short-term spread remained historically low, at an average 3.73%, 50 basis points lower than the average in 2009.

Loans

With regard to lending, the year was marked by a sustained improvement in bank loan performance. After a weak first half year, loans to households and businesses picked up moderately, achieving an average growth similar to that of 2009. This trend reflected the steady increase in medium/long term loans and the gradual recovery of short-term loans which started to grow again towards the end of the year, after sixteen consecutive months of decrease.
The recovery of the short-term component is linked to the resumption of the demand for business loans to support production activities, driven by the consolidation of economic recovery. Indeed, the loans to non-financial companies recorded a steady improvement from the lows hit in 2009 and in the fourth quarter they started to grow again, albeit very modestly. The improvements spanned all borrower sizes: the pickup was first observed in loans to small businesses, which, in point of fact had never dropped to any dramatic extent, and towards the end of the year, loans to medium-large businesses also returned to positive territory after the contraction recorded between the end of 2009 and the first half of 2010. At the same time, loans to households maintained their good performance, which had started at the end of 2009, driven by the rise in home purchase mortgage loans and favoured by the low interest rates on new lending transactions. Throughout 2010, the Italian banks recorded growth in loans to households higher than the Eurozone average; the rebound in loans to non-financial companies was also more marked than the Eurozone average.

Direct deposits

Throughout 2010, the customer funding of Italian banks showed a gradual slowdown in its main components, after the particularly strong growth recorded in 2009. Indeed, the trend in current accounts saw a significant contraction in the trend growth rate, which showed a negative change at the end of the year, compared to the two-digit increase recorded at the beginning of 2010. After a sharp slowdown in the first half of the year, bonds fluctuated around a zero rate of change, mainly due to the contraction in shorter-term bonds, (up to two years), whereas the longer-term bonds (over two years) continued to grow. In annual average terms, the growth in customer deposits was relatively robust, higher than the growth in loans, despite the contrasting trends that emerged during the year. Moreover, international comparison confirmed that the deposit-taking performance of Italian banks was better than the Eurozone average.

Assets under management

Indirect deposits[1] measured at fair value, after rebounding in the first half of 2010 slowed down in September. Within indirect customer deposits, during 2010 portfolio management by banks maintained a more dynamic profile than the assets under administration component. With regard to household customers too, assets under management recorded good annual growth in September 2010, higher than that of securities in custody and under administration (at fair value, including equity securities). The latest data on securities in custody on behalf of households, only referred to debt securities (at nominal value and inclusive of bank bonds), showed a slight recovery in November and December 2010, after thirteen months running of negative changes. This performance is consistent with the increase in investors' demand for government securities driven by the increase in their yields.

With regard to assets under management, during 2010 the Italian market for open-ended mutual funds, after a positive first quarter was marked by a negative performance of the balance between subscriptions and redemptions. On an annual basis, net inflow was positive by slightly more than one billion euro, against -683 million euro in 2009: the fall of the cash and hedge funds was offset by the positive net contributions of bond products and, to a lesser degree, of flexible, balanced and equity funds. Also thanks to the positive performance of the financial markets, total assets under management came to 452 billion euro at year end, against 435 billion in December 2009.

The life insurance business recorded a 7.9% growth in production compared to 2009, coming close to 64 billion euro. However, the second half of 2010 was marked by a slowdown in production, in particular of low-risk products such as Class I insurance policies, with inflows from the start of 2011 (at 49.5 billion euro) decreasing 3.1% compared to 2009. On the contrary, the production of more investment-oriented products maintained a sustained growth trend: cumulative inflows of Class III products exceeded 11 billion euro, doubling the figure recorded in 2009.

Forecast for 2011

The year 2011 should see consolidation of the economic recovery, albeit in an environment of fiscal restriction and growing inflationary pressure driven by the price hikes of commodities. These price rises might be exacerbated by the possible widening of the political tensions which are causing turmoil in the Middle East and North Africa, with negative repercussions on global economic growth. For the Eurozone, 2011 will also be crucial from the viewpoint of its ability to react to the investor confidence crisis, which the measures launched last year barely managed to cushion. On a global level, a slight slowdown in economic growth is expected, the only exception being an acceleration by the large commodity exporters; the gradual return to pre-crisis activity level should continue. Italian economic growth is expected to maintain similar levels to 2010, and should be mostly driven by domestic demand.

Liquidity conditions in the euro market will continue to be favourable until the end of 2011; however, the decrease in excess reserves, the expected normalisation in auction procedures and the growing likelihood of a turn in the monetary policy cycle will drive money market rates upwards.

Against this background, bank rates and margins should continue to be relatively moderate in 2011. Gradual upward corrections of lending and funding rates are to be expected with normalisation of liquidity and the gradual recovery of monetary rates.

Consequently, the spread between the funding and lending rates should see a slight recovery in 2011 compared to 2010. As to margins on short-term activities, the mark-up should decrease in small steps, whereas the mark-down should continue to improve.

As to lending activity, the pickup in lending to businesses should strengthen. Mortgage loans to households for home purchase should continue to record a positive trend, driven by the relatively low interest rates. Overall, loans should grow at a moderate pace, on account of the following factors: low expected economic growth; still high, albeit slightly improving, unemployment; further occurrence of non-performing loans; attention to liquidity, funding and capital aspects, with a view to the introduction of more restrictive prudential rules.

Direct deposits will continue to play a key role for banks, also on account of the funding possibilities on the institutional market and the trends in the associated costs. Italian banks should continue to benefit from the good saving levels on the retail domestic market, albeit structurally lower than in the past. The growth in direct deposits is expected to slow down from 2010 and the previous years, as it will be impacted, inter alia, by the gradual increase in the opportunity cost of holding liquid assets in an account, compared to the exceptionally low levels of 2009-10, which should favour investment in securities by investors. For 2011, albeit with uncertainty margins linked to the performance of the financial markets, a slight recovery in inflows into mutual funds, which should benefit from market normalisation and from the investors' renewed interest in higher risk/yield investments. With regard to life assurance, the positive trends already under way should continue.

In 2011 the pace of GDP growth is expected to slow down overall in the emerging economies, also as a consequence of the disappearance of the favourable base effect (which was particularly pronounced in 2010 compared with the recessive phase of 2009) of the expected lower contribution of foreign trade (due to the slowdown in growth in mature economies) and, lastly, of the lesser support offered by monetary and fiscal policies, which will not always be offset by a parallel rebound in private demand.

[1] This includes custody and administration and custodian bank services (for UCITS and external supplementary pension funds), portfolio management and other relationships and it is net of the liabilities issued by the banks themselves.

According to IMF estimates, the average growth of the emerging economies should slow down to about 6%. The expected slowdown is supported by the recent trends in industrial production indexes and in the cycle-forecasting indicators in the main emerging regions.
Among the various world regions, emerging Asiatic countries are expected to continue to record sustained GDP growth. Latin America, on the other hand, is expected to record a more marked slowdown, together with appreciation of real currency exchange rates. In the MENA countries, the performance of the economy will be influenced by the developments of the current political and institutional uncertainties in various countries, including Egypt.
In Eastern Europe, the economic cycle trend continues to see a recovery. The pace of growth, which is estimated at 3% in 2011 for the whole area, continues to be below the prevailing average values prior to the crisis, due to the continuing impact on domestic demand of the private sector deleveraging phase and to the effects of the weak European economic cycle on exports. Mainly as a consequence of the less favourable base effect, GDP growth may slow down slightly in Russia and Ukraine.
Although base inflation is expected to remain moderate, the recent price increases in energy and food commodities fuel concerns as to their possible impacts on price trends in lower-income emerging countries, where food and energy still account for a large share of overall indexes. Inflation risks are on the rise.

INCOME STATEMENT AND BALANCE SHEET AGGREGATES

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the year. To enable consistent comparison, 2009 income statement figures and the figures for the previous quarters of 2010 are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.

Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Financial Statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

The most significant restatements are represented by the line-by-line consolidation of Intesa Vita (previously consolidated according to the equity method), in which the Group now holds a 100% investment, and the acquisition of 50 branches from Banca Monte dei Paschi di Siena.

Reclassifications and aggregations are as follows:

– dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
– the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption. The adjustment of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group's insurance companies was also attributed to this caption;
– differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among net interest income owing to the close correlation;
– Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
– Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
– Profits (losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
– the recoveries of expenses, taxes and duties have been subtracted from administrative expenses, instead of being included among Other operating income;
– Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
– Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
– the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
– net impairment losses of property, equipment and intangible assets have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express depreciation and amortisation – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
– 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;
– Effects of purchase price allocation, net of the tax effect, are 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)

	2010	2009	Changes	
			amount	%
Net interest income	9,768	10,525	-757	-7.2
Dividends and profits (losses) on investments carried at equity	29	5	24	
Net fee and commission income	5,671	5,364	307	5.7
Profits (Losses) on trading	464	1,122	-658	-58.6
Income from insurance business	654	589	65	11.0
Other operating income (expenses)	39	54	-15	-27.8
Operating income	**16,625**	**17,659**	**-1,034**	**-5.9**
Personnel expenses	-5,571	-5,618	-47	-0.8
Other administrative expenses	-3,178	-3,224	-46	-1.4
Adjustments to property, equipment and intangible assets	-605	-681	-76	-11.2
Operating costs	**-9,354**	**-9,523**	**-169**	**-1.8**
Operating margin	**7,271**	**8,136**	**-865**	**-10.6**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-358	-298	60	20.1
Net adjustments to loans	-3,108	-3,706	-598	-16.1
Net impairment losses on other assets	-95	-240	-145	-60.4
Profits (Losses) on investments held to maturity and on other investments	273	545	-272	-49.9
Income (Loss) before tax from continuing operations	**3,983**	**4,437**	**-454**	**-10.2**
Taxes on income from continuing operations	-1,401	-1,008	393	39.0
Merger and restructuring-related charges (net of tax)	-72	-214	-142	-66.4
Effect of purchase price allocation (net of tax)	-398	-385	13	3.4
Income (Loss) after tax from discontinued operations	694	169	525	
Minority interests	-101	-194	-93	-47.9
Net income	**2,705**	**2,805**	**-100**	**-3.6**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2010				2009			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,422	2,470	2,462	2,414	2,494	2,590	2,769	2,672
Dividends and profits (losses) on investments carried at equity	11	-5	26	-3	-	-5	17	-7
Net fee and commission income	1,519	1,333	1,410	1,409	1,504	1,333	1,306	1,221
Profits (Losses) on trading	123	126	-3	218	129	447	439	107
Income from insurance business	126	173	151	204	136	185	172	96
Other operating income (expenses)	20	-4	1	22	34	-7	6	21
Operating income	**4,221**	**4,093**	**4,047**	**4,264**	**4,297**	**4,543**	**4,709**	**4,110**
Personnel expenses	-1,444	-1,375	-1,374	-1,378	-1,463	-1,399	-1,359	-1,397
Other administrative expenses	-895	-753	-789	-741	-897	-750	-818	-759
Adjustments to property, equipment and intangible assets	-170	-144	-148	-143	-203	-166	-156	-156
Operating costs	**-2,509**	**-2,272**	**-2,311**	**-2,262**	**-2,563**	**-2,315**	**-2,333**	**-2,312**
Operating margin	**1,712**	**1,821**	**1,736**	**2,002**	**1,734**	**2,228**	**2,376**	**1,798**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-144	-30	-98	-86	-100	-66	-63	-69
Net adjustments to loans	-845	-711	-798	-754	-1,069	-823	-1,081	-733
Net impairment losses on other assets	-47	-5	-38	-5	-163	4	-68	-13
Profits (Losses) on investments held to maturity and on other investments	262	-	1	10	517	13	15	-
Income (Loss) before tax from continuing operations	**938**	**1,075**	**803**	**1,167**	**919**	**1,356**	**1,179**	**983**
Taxes on income from continuing operations	-297	-419	-322	-363	-170	-515	-486	163
Merger and restructuring-related charges (net of tax)	-18	-11	-27	-16	-84	-44	-38	-48
Effect of purchase price allocation (net of tax)	-102	-103	-101	-92	-90	-98	-102	-95
Income (Loss) after tax from discontinued operations	3	-	663	28	27	21	16	105
Minority interests	-19	-32	-14	-36	-59	-46	-56	-33
Net income	**505**	**510**	**1,002**	**688**	**543**	**674**	**513**	**1,075**

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

In a scenario that remains characterised by the uncertainty of the economic recovery and distinguished by tensions relating to the financial condition of certain European nations, which continued to affect market performance, the Intesa Sanpaolo Group reported a net income of 2,705 million euro in 2010, down slightly compared to 2009. The net income for the fourth quarter was essentially in line with that reported in the three previous months.

Operating income

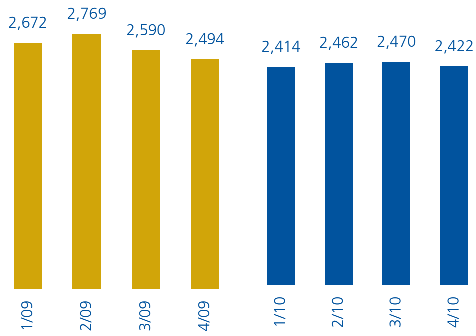
In 2010, the Group's operating income amounted to 16,625 million euro, down by 5.9% compared to the previous year.
The trend that emerges from a comparison of the two years in question was essentially the consequence of the decline in net interest income (-7.2%), primarily attributable to persistently low market rates, and of the profits (losses) on trading (-58.6%). Conversely, there were increases in fee and commission income (+5.7%) owing to the positive performance of management and placement of financial products.
Operating income came to 4,221 million euro in the fourth quarter of 2010, 128 million euro more than in the third quarter. The improvement may be ascribed to the increase in net fee and commission income (1,519 million euro), up nearly 200 million euro on the third quarter.

Net interest income

(millions of euro)

	2010	2009	Changes	
			amount	%
Relations with customers	10,613	12,848	-2,235	-17.4
Securities issued	-5,276	-5,873	-597	-10.2
Differentials on hedging derivatives	2,282	1,537	745	48.5
Customer dealing	**7,619**	**8,512**	**-893**	**-10.5**
Financial assets held for trading	699	846	-147	-17.4
Investments held to maturity	123	170	-47	-27.6
Financial assets available for sale	473	461	12	2.6
Financial assets	**1,295**	**1,477**	**-182**	**-12.3**
Relations with banks	**209**	**-34**	**243**	
Non-performing assets	**738**	**686**	**52**	**7.6**
Other net interest income	**-93**	**-116**	**-23**	**-19.8**
Net interest income	**9,768**	**10,525**	**-757**	**-7.2**

Quarterly development of net interest income



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

Though to a lesser extent, the downward trend in the interest margin seen since the second half of 2009 continued. Net interest income stood at 9,768 million, down 7.2% compared to 2009. Interbank market rates reached even lower levels than last year, resulting in minimum spreads, and in particular the mark-down on deposits fell steeply. This factor was exacerbated by the impact of the elimination of overdraft charges effective June 2009 and the effect of the disintermediation of volumes on the asset side.
Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, came to 7,619 million euro, down 10.5% compared to 2009, despite the positive contribution of hedging differentials used to achieve partial yet effective protection against the decline in interest rates.
In 2010 net interest on the interbank market came to a positive 209 million euro compared to -34 million euro in 2009. However, net interest on financial assets fell by 12.3%, largely due to the decrease in returns on trading.
The fourth quarter showed a decrease in net interest income of 1.9% compared to the third quarter.

(millions of euro)

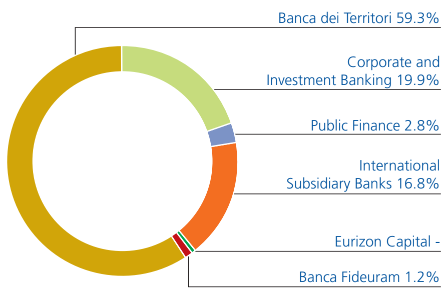
	2010				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Relations with customers	2,757	2,641	2,568	2,647	4.4	2.8	-3.0
Securities issued	-1,371	-1,291	-1,298	-1,316	6.2	-0.5	-1.4
Differentials on hedging derivatives	491	558	637	596	-12.0	-12.4	6.9
Customer dealing	**1,877**	**1,908**	**1,907**	**1,927**	**-1.6**	**0.1**	**-1.0**
Financial assets held for trading	166	194	178	161	-14.4	9.0	10.6
Investments held to maturity	29	31	32	31	-6.5	-3.1	3.2
Financial assets available for sale	135	118	114	106	14.4	3.5	7.5
Financial assets	**330**	**343**	**324**	**298**	**-3.8**	**5.9**	**8.7**
Relations with banks	**69**	**30**	**60**	**50**		**-50.0**	**20.0**
Non-performing assets	**178**	**203**	**186**	**171**	**-12.3**	**9.1**	**8.8**
Other net interest income	**-32**	**-14**	**-15**	**-32**		**-6.7**	**-53.1**
Net interest income	**2,422**	**2,470**	**2,462**	**2,414**	**-1.9**	**0.3**	**2.0**

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

(millions of euro)

	2010	2009	Changes	
			amount	%
Banca dei Territori	5,892	6,373	-481	-7.5
Corporate and Investment Banking	1,977	2,119	-142	-6.7
Public Finance	280	368	-88	-23.9
International Subsidiary Banks	1,665	1,447	218	15.1
Eurizon Capital	1	2	-1	-50.0
Banca Fideuram	120	158	-38	-24.1
Total business areas	**9,935**	**10,467**	**-532**	**-5.1**
Corporate Centre	-167	58	-225	
Intesa Sanpaolo Group	**9,768**	**10,525**	**-757**	**-7.2**

Business areas



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

Banca dei Territori, which accounts for 59% of business area results, recorded a 7.5% decrease in net interest income, mainly due to the reduced mark-down on deposits and the elimination of overdraft charges. A less marked decrease by amount was reported by the Corporate and Investment Banking segment (-142 million euro), largely owing to the drop in average loan volumes. Likewise the Public Finance segment (-88 million euro) after a narrowing of the spreads which in 2009 had benefited from asset liquidity in a scenario of strong bear rates, and Banca Fideuram (-38 million euro), largely due to contraction in the spread between the cost of deposits and lending interest rates. Conversely, the International Subsidiary Banks showed an increase in net interest income (+218 million euro), benefiting from the higher lending rate spreads.

Dividends and profits on investments carried at equity

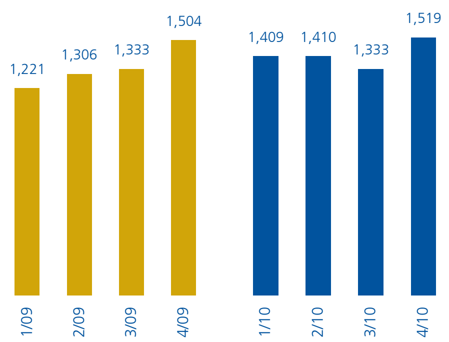
In 2010 dividends and profits on investments carried at equity came to 29 million euro, 25 million euro of which was represented by the dividend collected on the investment in the Bank of Italy and 4 million euro by the balance of investments carried at equity. The item showed an increase compared to the 5 million euro in profits reported in the previous year. Please note that the dividends relate to non-consolidated companies, excluding those on shares held for trading and securities available for sale restated to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	2010	2009	Changes	
			amount	%
Guarantees given	342	299	43	14.4
Collection and payment services	343	335	8	2.4
Current accounts	915	926	-11	-1.2
Credit and debit cards	457	443	14	3.2
Commercial banking activities	**2,057**	**2,003**	**54**	**2.7**
Dealing and placement of securities	460	446	14	3.1
Currency dealing	55	53	2	3.8
Portfolio management	1,232	1,088	144	13.2
Distribution of insurance products	763	720	43	6.0
Other	91	127	-36	-28.3
Management, dealing and consultancy activities	**2,601**	**2,434**	**167**	**6.9**
Other net fee and commission income	**1,013**	**927**	**86**	**9.3**
Net fee and commission income	**5,671**	**5,364**	**307**	**5.7**

Quarterly development of net fee and commission income



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

Net fee and commission income, which makes up over a third of operating income, amounted to 5,671 million euro, up 5.7% compared to 2009, owing largely to the positive performances of the dealing and management of financial products.
Fees and commissions on commercial banking activities rose to 2,057 million euro in the reporting period (+2.7% compared to 2009). The positive performance was due to the contribution of commissions on guarantees given (+43 million euro), credit and debit cards (+14 million euro) and collection and payment services (+8 million euro). By contrast, commissions on current accounts showed a slight decline (-11 million euro).
Management, dealing and consultancy activities overall generated net fee and commission income of 2,601 million euro, up 6.9% compared to 2009, chiefly due to portfolio management (+144 million euro), most markedly collective schemes, which benefited from an appreciation of assets under management, distribution of insurance products (+43 million euro) and financial product dealing and placement (+14 million euro).
Other net fee and commission income, whose key factors are represented by commissions on loans issued and on factoring services, were also significantly higher than the figures for 2009, reaching 1,013 million euro (+9.3%).

(millions of euro)

	2010				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Guarantees given	94	81	82	85	16.0	-1.2	-3.5
Collection and payment services	92	84	85	82	9.5	-1.2	3.7
Current accounts	230	229	227	229	0.4	0.9	-0.9
Credit and debit cards	118	119	111	109	-0.8	7.2	1.8
Commercial banking activities	**534**	**513**	**505**	**505**	**4.1**	**1.6**	**-**
Dealing and placement of securities	126	73	118	143	72.6	-38.1	-17.5
Currency dealing	15	13	14	13	15.4	-7.1	7.7
Portfolio management	332	304	303	293	9.2	0.3	3.4
Distribution of insurance products	215	174	188	186	23.6	-7.4	1.1
Other	28	16	20	27	75.0	-20.0	-25.9
Management, dealing and consultancy activities	**716**	**580**	**643**	**662**	**23.4**	**-9.8**	**-2.9**
Other net fee and commission income	**269**	**240**	**262**	**242**	**12.1**	**-8.4**	**8.3**
Net fee and commission income	**1,519**	**1,333**	**1,410**	**1,409**	**14.0**	**-5.5**	**0.1**

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

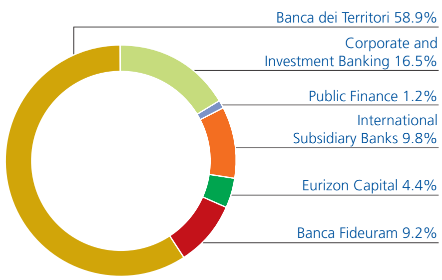
On a quarterly basis, net fee and commission income in the fourth quarter (1,519 million euro) was up 14% compared to the third quarter, mainly due to the greater proceeds from dealing and placement of securities and insurance products. Commissions in the fourth quarter exceeded those reported in the other quarters of the past two years.

(millions of euro)

	2010	2009	Changes	
			amount	%
Banca dei Territori	3,451	3,268	183	5.6
Corporate and Investment Banking	968	925	43	4.6
Public Finance	69	42	27	64.3
International Subsidiary Banks	576	541	35	6.5
Eurizon Capital	261	297	-36	-12.1
Banca Fideuram	539	437	102	23.3
Total business areas	**5,864**	**5,510**	**354**	**6.4**
Corporate Centre	-193	-146	47	32.2
Intesa Sanpaolo Group	**5,671**	**5,364**	**307**	**5.7**

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

Business areas



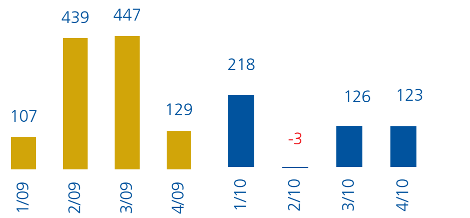
All business units contributed to the increase in the Group's net fee and commission income (+5.7% compared to 2009), with the exception of Eurizon Capital. In detail, the greatest contribution was made by Banca dei Territori (+5.6%), which represents 59% of the total fee and commission income earned by all business units, driven by the strong performance of asset management, stronger placement of bancassurance products, along with the introduction of the commitment fee. Increases in net fee and commission income were also reported by Banca Fideuram (+23.3%), driven by the rise in average assets under management and the repositioning of the product mix to favour management products with a less conservative risk profile. More limited increases by amount were also reported by Corporate and Investment Banking (+43 million euro), owing to the development of commercial banking sector, due in particular to the greater revenues of the credit facility and guarantee segment developed especially on Italian and international corporate relations, International Subsidiary Banks (+35 million euro) and Public Finance (+27 million euro), owing to revenue growth on services and the structuring of project finance transactions. By contrast, Eurizon Capital reported a decrease of 36 million euro in relation to the lower over-performance commissions collected in 2010 than in the previous year.

Profits (Losses) on trading

(millions of euro)

	2010	2009	Changes	
			amount	%
Interest rates	-151	745	-896	
Equity instruments	118	-14	132	
Currencies	271	325	-54	-16.6
Structured credit products	96	-26	122	
Credit derivatives	-5	-78	-73	**-93.6**
Commodity derivatives	28	-	28	**-**
Trading result	**357**	**952**	**-595**	**-62.5**
Trading on AFS securities and financial liabilities	**107**	**170**	**-63**	**-37.1**
Profits (Losses) on trading	**464**	**1,122**	**-658**	**-58.6**

Quarterly development of profits (losses) on trading



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

Trading activities, which represent the component whose contribution to the income statement is most exposed to market volatility, yielded a profit of 464 million euro in 2010, compared to the 1,122 million euro recognised in the previous year.
The downtrend was chiefly a result of the decrease in the profitability of interest-rate transactions (-896 million euro) involving debt securities and interest-rate derivatives. In detail, profits (losses) on the trading of debt securities contributed 341 million euro in lesser revenues, while the fair-value effect on year-end stocks resulted in greater negative valuations of 241 million euro. In the interest-rate derivatives segment, trading yielded an improvement in result of 118 million euro, and the year-end valuation greater losses of 351 million euro. In addition to the above, fair-value adjustments in hedge accounting were down by 110 million euro, partially offset by the measurement of instruments under the fair-value option, which improved by 29 million euro.
The decrease in the profit on currency trading (-54 million euro) also had an effect, albeit to a lesser extent.
By contrast, equity instruments, including dividends collected, presented a positive balance of 118 million euro, compared to the loss of 14 million euro in 2009, as did structured credit products, which came to a profit of 96 million euro, up from the loss of 26 million euro reported in 2009. For a more detailed illustration of such products, reference should be made to Part E of the Notes to the Consolidated financial statements.
It should be noted that this caption also incorporates dividends and proceeds on the trading of securities classified as available for sale and the effects of the measurement at fair value of the component of financial liabilities issued associated with an assessment of creditworthiness related to the fair value option (-1 million euro in 2010 compared to -129 million euro in 2009). Overall, these results came to a positive 107 million euro in 2010, in decrease compared to 2009 (170 million euro).

(millions of euro)

	2010				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Interest rates	-163	68	-125	69			
Equity instruments	141	16	-63	24			
Currencies	66	27	94	84		-71.3	11.9
Structured credit products	32	27	10	27	18.5		-63.0
Credit derivatives	-6	-35	40	-4	-82.9		
Commodity derivatives	17	12	-1	-	41.7		**-**
Trading result	**87**	**115**	**-45**	**200**	**-24.3**		
Trading on AFS securities and financial liabilities	**36**	**11**	**42**	**18**		**-73.8**	
Profits (Losses) on trading	**123**	**126**	**-3**	**218**	**-2.4**		

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

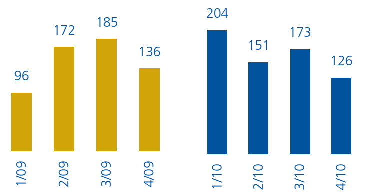
The quarterly trend in profits (losses) on trading and the fluctuations in the caption should be considered a consequence of the volatile performance of financial markets during the four quarters of the year.

Income from insurance business

(millions of euro)

	2010			2009			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Premiums and payments [a]	-801	101	-700	-1,377	103	-1,274	-574	-45.1
net premiums	*11,065*	*159*	*11,224*	*10,010*	*146*	*10,156*	*1,068*	*10.5*
net charges for claims and surrendering of policies	*-6,237*	*-58*	*-6,295*	*-5,808*	*-44*	*-5,852*	*443*	*7.6*
net charges for changes in technical reserves	*-5,629*	*-*	*-5,629*	*-5,579*	*1*	*-5,578*	*51*	*0.9*
Net income from financial instruments designated at fair value through profit and loss [b]	488	-	488	1,012	-	1,012	-524	-51.8
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [c]	1,694	14	1,708	1,560	12	1,572	136	8.7
Other income/charges from insurance business[d]	-765	-77	-842	-657	-64	-721	121	16.8
Income from insurance business	**616**	**38**	**654**	**538**	**51**	**589**	**65**	**11.0**

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 2010 income from insurance business, which includes the revenue captions of the life and non-life insurance companies within the Group, came to 654 million euro, up 11% compared to the previous year, owing to the positive development of the life business, buoyed by the policies sold through bank branch networks.
In detail, revenue growth was driven by the positive performance of financial management, which allowed capital gains to be realised and dividends earned on assets hedging insurance products and the free portfolio. The insurance companies benefited from dynamic portfolio management aimed at seeking out the best investment opportunities by favouring those offering high coupon yields.
The result for non-life business decreased due to the increase in claim-related expense and higher operating expenses.

(millions of euro)

	2010				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Premiums and payments [a]	-27	-330	-209	-134	-91.8	57.9	56.0
net premiums	*3,065*	*2,503*	*2,485*	*3,171*	*22.5*	*0.7*	*-21.6*
net charges for claims and surrendering of policies	*-1,837*	*-1,235*	*-1,753*	*-1,470*	*48.7*	*-29.5*	*19.3*
net charges for changes in technical reserves	*-1,255*	*-1,598*	*-941*	*-1,835*	*-21.5*	*69.8*	*-48.7*
Net income from financial instruments designated at fair value through profit and loss [b]	-25	265	111	137	-	-	-19.0
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [c]	437	438	440	393	-0.2	-0.5	12.0
Other income/charges from insurance business[d]	-259	-200	-191	-192	29.5	4.7	-0.5
Income from insurance business	**126**	**173**	**151**	**204**	**-27.2**	**14.6**	**-26.0**

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 the fourth quarter of 2010, income from insurance business slowed compared to the previous quarters of the year, coming to 126 million euro.

Other operating income (expenses)

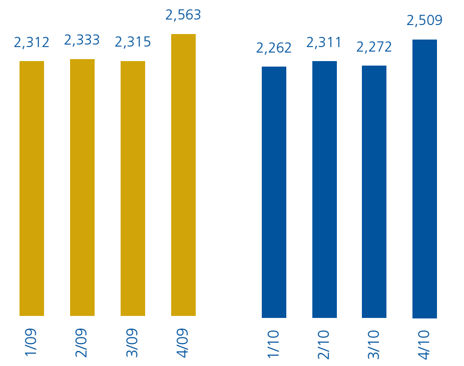
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have led to a reduction in the corresponding sub-captions of administrative expenses. In 2010 the caption showed a positive balance of 39 million euro, compared to the 54 million euro recognised in the previous year.

Operating costs

(millions of euro)

	2010	2009	Changes amount	Changes %
Wages and salaries	3,980	3,979	1	-
Social security charges	1,003	1,032	-29	-2.8
Other	588	607	-19	-3.1
Personnel expenses	**5,571**	**5,618**	**-47**	**-0.8**
Information technology expenses	763	748	15	2.0
Management of real estate assets	769	791	-22	-2.8
General structure costs	450	465	-15	-3.2
Professional and legal expenses	511	517	-6	-1.2
Advertising and promotional expenses	171	170	1	0.6
Indirect personnel costs	130	132	-2	-1.5
Other costs	322	335	-13	-3.9
Indirect taxes and duties	638	648	-10	-1.5
Recovery of expenses and charges	-576	-582	-6	-1.0
Administrative expenses	**3,178**	**3,224**	**-46**	**-1.4**
Property and equipment	382	409	-27	-6.6
Intangible assets	223	272	-49	-18.0
Adjustments	**605**	**681**	**-76**	**-11.2**
Operating costs	**9,354**	**9,523**	**-169**	**-1.8**

Quarterly development of operating costs



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

Operating costs came to 9,354 million euro, down 1.8% compared to 2009, confirming the general decrease in the cost structure following integration of the Intesa and Sanpaolo IMI Groups.
Personnel expenses decreased slightly (-0.8%) to 5,571 million euro. This trend is essentially attributable to human resource optimisation policies leading to staff downsizing in both period-end and average figures, offset by a rise in average cost tied to the impact of contractual tranches.
Administrative expenses were 3,178 million euro, down 1.4%: this result was shaped in particular by property management costs, general structure costs and other costs. The increase in information technology expenses should be viewed in light of the decrease in services rendered by third parties (recognised among Other costs), enabled by completion of the integration processes for CR Firenze.
Adjustments amounted to 605 million euro, recording a 11.2% decrease on the previous year and attributable to both intangible assets, due to full software amortisation, and property and equipment.
The cost/income ratio for the period was 56.3%, up from 53.9% at the end of 2009 due to the fact that the fall in revenues was greater than the cost savings.

(millions of euro)

	2010 Fourth quarter (A)	2010 Third quarter (B)	2010 Second quarter (C)	2010 First quarter (D)	Changes % (A/B)	Changes % (B/C)	Changes % (C/D)
Wages and salaries	1,035	978	976	991	5.8	0.2	-1.5
Social security charges	255	243	250	255	4.9	-2.8	-2.0
Other	154	154	148	132	-	4.1	12.1
Personnel expenses	**1,444**	**1,375**	**1,374**	**1,378**	**5.0**	**0.1**	**-0.3**
Information technology expenses	213	184	182	184	15.8	1.1	-1.1
Management of real estate assets	206	185	187	191	11.4	-1.1	-2.1
General structure costs	111	105	122	112	5.7	-13.9	8.9
Professional and legal expenses	166	117	126	102	41.9	-7.1	23.5
Advertising and promotional expenses	59	37	36	39	59.5	2.8	-7.7
Indirect personnel costs	35	29	36	30	20.7	-19.4	20.0
Other costs	97	74	83	68	31.1	-10.8	22.1
Indirect taxes and duties	164	160	163	151	2.5	-1.8	7.9
Recovery of expenses and charges	-156	-138	-146	-136	13.0	-5.5	7.4
Administrative expenses	**895**	**753**	**789**	**741**	**18.9**	**-4.6**	**6.5**
Property and equipment	100	94	94	94	6.4	-	-
Intangible assets	70	50	54	49	40.0	-7.4	10.2
Adjustments	**170**	**144**	**148**	**143**	**18.1**	**-2.7**	**3.5**
Operating costs	**2,509**	**2,272**	**2,311**	**2,262**	**10.4**	**-1.7**	**2.2**

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

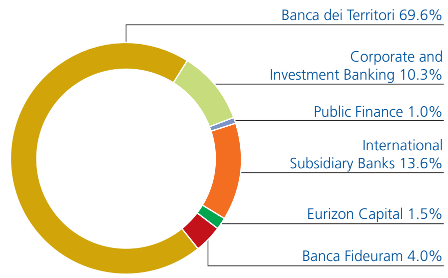
Operating costs increased by 10.4% in the fourth quarter compared to the third quarter of 2010 to reach 2,509 million euro. The performance is mainly attributable to administrative expenses, which traditionally present elements of seasonality: in particular, the most significant differences were in professional and legal expenses, information technology expenses, advertising and promotional expenses, management of real estate assets and other costs.

(millions of euro)

	2010	2009	Changes	
			amount	%
Banca dei Territori	5,988	6,071	-83	-1.4
Corporate and Investment Banking	888	902	-14	-1.6
Public Finance	83	81	2	2.5
International Subsidiary Banks	1,169	1,149	20	1.7
Eurizon Capital	132	138	-6	-4.3
Banca Fideuram	348	353	-5	-1.4
Total business areas	**8,608**	**8,694**	**-86**	**-1.0**
Corporate Centre	746	829	-83	-10.0
Intesa Sanpaolo Group	**9,354**	**9,523**	**-169**	**-1.8**

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

Business areas



The reduction in Group operating costs (-1.8%) was driven by nearly all business units with the exception of International Subsidiary Banks and Public Finance. The greatest cost reductions by amount were made by Banca dei Territori (-83 million euro), which accounts for nearly 70% of business area costs, and Corporate and Investment Banking (-14 million euro). Eurizon Capital (-6 million euro) and Banca Fideuram (-5 million euro) showed more moderate declines. The Corporate Centre's costs were also down (-83 million euro). By contrast, cost increases were reported by International Subsidiary Banks (+20 million euro) and, to a lesser extent, Public Finance (+2 million euro).

Operating margin

The operating margin came to 7,271 million euro in 2010, down 10.6% compared to the previous year. This trend was generated by a decline in revenues (-5.9%), only partially offset by the decrease in operating costs (-1.8%). A quarterly analysis also shows a decrease in operating margin of 6% in the fourth quarter compared to the third quarter due to the increase in costs of a recurring nature at year-end.

Adjustments to/write-backs on assets

Net provisions for risks and charges

Net provisions for risks and charges totalled 358 million euro, 60 million euro higher than in 2009, due to provisions attributable to the ongoing revision of outstanding consumer credit products and tax litigation. In detail, 100 million euro in net provisions for risks and charges were recognised, essentially in order to facilitate any application of deflationary procedures for litigation in connection with certain tax audits of which notice was given in late 2010 (discussed in the specific chapter of Part E of the Notes) and the foreseeable outcome of ongoing audits. The charges in question are based almost exclusively upon interpretations of tax statutes that are without merit in that they are in conflict with provisions of law and, in some cases, alleged "misuse of a right", a legal construct created in other terms and for other purposes in the case law of the Court of Cassation that does not exist in the body of Italian statutes.

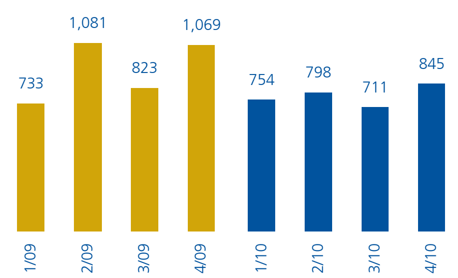
Net adjustments to loans

(millions of euro)

	2010	2009	Changes	
			amount	%
Doubtful loans	-1,768	-1,713	55	3.2
Substandard loans	-992	-1,631	-639	-39.2
Restructured loans	-31	-60	-29	-48.3
Past due loans	-208	-191	17	8.9
Performing loans	-112	-115	-3	-2.6
Net impairment losses on loans	**-3,111**	**-3,710**	**-599**	**-16.1**
Net adjustments to guarantees and commitments	**3**	**4**	**-1**	**-25.0**
Net adjustments to loans	**-3,108**	**-3,706**	**-598**	**-16.1**

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

Quarterly development of net adjustments to loans



In 2010 net adjustments to loans came to 3,108 million euro, down by 16.1% compared to 2009. The caption remains at significant levels as a consequence of the deterioration of the quality of the loan portfolio as a result of the crisis affecting the economies of Italy and the other main countries in which the Group operates. During the reporting year, doubtful positions required total net adjustments of 1,768 million euro, up by 55 million euro compared to 2009, with an average coverage ratio of

64%. By contrast, net adjustments to substandard positions and restructured loans declined by 39.2% and 48.3%, respectively. Write-backs of 3 million euro were recognised on guarantees given, in line with the previous year. The coverage ratio of performing loans to customers came to above 0.7%, unchanged compared to 2009 (+35 million euro by amount).

(millions of euro)

	2010				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Doubtful loans	-525	-472	-375	-396	11.2	25.9	-5.3
Substandard loans	-221	-165	-338	-268	33.9	-51.2	26.1
Restructured loans	1	-8	-22	-2		-63.6	
Past due loans	-79	-28	-43	-58		-34.9	-25.9
Performing loans	-32	-29	-23	-28	10.3	26.1	-17.9
Net losses/recoveries on impairment of loans	**-856**	**-702**	**-801**	**-752**	**21.9**	**-12.4**	**6.5**
Net adjustments to/recoveries on guarantees and commitments	**11**	**-9**	**3**	**-2**	-	-	-
Net adjustments to loans	**-845**	**-711**	**-798**	**-754**	**18.8**	**-10.9**	**5.8**

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

Net adjustments to loans increased by 18.8% in the fourth quarter of 2010 compared to the third quarter, as adjustments are traditionally more concentrated late in the year, while remaining at levels below the highs reached in the previous year.

Net impairment losses on other assets

Net impairment losses on other assets came to 95 million euro in 2010 compared to 240 million euro in 2009. This decrease is mainly due to lower adjustments recognised on the portfolio of equity securities available for sale.
Adjustments of 47 million euro were made in the fourth quarter of 2010.

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

In 2010 profits on investments held to maturity and other investments came to 273 million euro and consisted primarily (255 million euro) of the profit due to the fair value adjustment of the assets and liabilities of Intesa Vita and the interest in the company held prior to the acquisition of control, recognised through the income statement in accordance with IFRS 3. The balance of the caption in 2010 is lower than the 545 million euro in profits recognised in 2009, essentially due to the sale of minority interests (Findomestic and Esaote).

Income before tax from continuing operations

Income before tax from continuing operations came to 3,983 million euro in 2010, down 10.2% from 2009. This performance was primarily the result of the decrease in revenues (net interest income and the profits on trading), as already mentioned, which were not sufficiently offset by the decline in costs and lower net adjustments to loans. The figure for the fourth quarter, 938 million euro, was down 12.7% compared to the third quarter, essentially due to cost components, such as operating costs and net adjustments to loans, that are more concentrated later in the year.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred income taxes accrued during 2010 resulted in provisions of 1,401 million euro, compared to 1,008 million euro in 2009, which had benefited from the favourable effects of the redemption of intangibles and employee termination indemnities (537 million euro). In 2010 the benefit of redemption pursuant to Law Decree 185/08 of the goodwill of several Group banks to which the Parent Company contributed business units was much more modest (86 million euro), and the benefits of the participation exemption on capital gains on the sale of investments pursuant to art. 87 of the Combined Tax Regulations were also more limited.
The tax rate for 2010, calculated as the simple ratio of taxes on income from continuing operations and income before tax from continuing operations, came to 35.2%. For the above reasons, the comparison with the 22.7% reported in 2009 is not significant.

Merger and restructuring-related charges (net of tax)

Merger and restructuring-related charges (net of tax) fell to 72 million euro compared to 214 million euro in the previous year. The gradual decrease in these charges confirms the progressive completion of integration processes for Group banks.

Effect of purchase price allocation (net of tax)
This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. Such charges came to 398 million euro in 2010 compared to 385 million euro in 2009.

Income (Loss) from discontinued operations (net of tax)
Income from discontinued operations came to 694 million euro and is essentially attributable to the capital gain, after tax, of approximately 650 million euro on the sale of the securities services business to State Street Co. and the profits earned by this business line until the transaction closing date.
The capital gain was also figured net of directly attributable expenses.
This figure is compared to the 169 million euro in income for 2009, which included not only the income reported by the securities services business, but also the capital gains on the sale of Cassa di Risparmio di Orvieto and several branches sold in March 2009.

Net income
The Group closed 2010 with a net income of 2,705 million euro, down 3.6% from 2,805 million euro in the previous year.
The fourth quarter of 2010 showed a net income of 505 million euro, in line with the figure for the previous quarter.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's results for the period. Where necessary, comparative figures are restated to account for non-current assets held for sale and discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.

Breakdowns of restatements and aggregations of captions performed are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

The most significant restatements are represented by the line-by-line consolidation of Intesa Vita (previously consolidated according to the equity method), in which the Group now holds a 100% interest, and the acquisition of 50 branches from Banca Monte dei Paschi di Siena.

Aggregations of captions referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	31.12.2010	31.12.2009	Changes	
			amount	%
Financial assets held for trading	71,899	70,900	999	1.4
Financial assets designated at fair value through profit and loss	35,549	31,982	3,567	11.2
Financial assets available for sale	61,612	50,943	10,669	20.9
Investments held to maturity	3,839	4,561	-722	-15.8
Due from banks	42,737	43,260	-523	-1.2
Loans to customers	379,235	375,454	3,781	1.0
Investments in associates and companies subject to joint control	2,716	2,334	382	16.4
Property, equipment and intangible assets	31,445	31,198	247	0.8
Tax assets	8,733	7,374	1,359	18.4
Non-current assets held for sale and discontinued operations	75	6,552	-6,477	-98.9
Other assets	20,917	27,786	-6,869	-24.7
Total Assets	**658,757**	**652,344**	**6,413**	**1.0**

Liabilities and Shareholders' Equity	31.12.2010	31.12.2009	Changes	
			amount	%
Due to banks	52,860	44,043	8,817	20.0
Due to customers and securities issued	401,047	397,008	4,039	1.0
Financial liabilities held for trading	45,045	42,264	2,781	6.6
Financial liabilities designated at fair value through profit and loss	26,144	28,151	-2,007	-7.1
Tax liabilities	3,269	3,225	44	1.4
Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
Other liabilities	20,954	22,727	-1,773	-7.8
Technical reserves	50,188	46,026	4,162	9.0
Allowances for specific purpose	4,650	4,799	-149	-3.1
Share capital	6,647	6,647	-	-
Reserves	45,235	43,659	1,576	3.6
Valuation reserves	-1,054	-430	624	
Minority interests	1,067	1,697	-630	-37.1
Net income	2,705	2,805	-100	-3.6
Total Liabilities and Shareholders' Equity	**658,757**	**652,344**	**6,413**	**1.0**

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

Intesa Sanpaolo's consolidated assets did not undergo significant changes in 2010, increasing by 6.4 billion euro, or 1% of the total, overall.
On the assets side, there were increases in Loans to customers (+3.8 billion euro) and, most notably, the financial portfolio (approximately +15 billion euro). Decreases related primarily to marginal captions (Non-current assets held for sale and discontinued operations and Other assets).
With regard to liabilities, there were increases in Due to customers and securities issued (+4 billion euro), due to banks (+8.8 billion euro) and other financial payables (approximately +5 billion euro). The most significant decrease was in the caption Liabilities associated with non-current assets held for sale and discontinued operations (-9.7 billion euro), which is of marginal importance from an operating context.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2010				2009			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	71,899	90,517	98,472	83,979	70,900	78,889	75,780	79,846
Financial assets designated at fair value through profit and loss	35,549	33,252	32,973	33,431	31,982	31,818	30,473	29,583
Financial assets available for sale	61,612	60,307	54,960	55,369	50,943	50,206	45,602	44,209
Investments held to maturity	3,839	4,205	4,307	4,341	4,561	4,772	5,241	5,461
Due from banks	42,737	45,175	48,618	47,909	43,260	42,666	45,570	41,898
Loans to customers	379,235	378,832	374,867	370,916	375,454	378,788	387,292	388,012
Investments in associates and companies subject to joint control	2,716	2,364	2,352	2,332	2,334	2,265	2,256	2,262
Property, equipment and intangible assets	31,445	30,963	31,155	31,050	31,198	31,127	31,352	31,700
Tax assets	8,733	7,839	8,112	7,550	7,374	6,890	7,365	7,608
Non-current assets held for sale and discontinued operations	75	48	35	7,741	6,552	7,247	6,643	8,101
Other assets	20,917	23,876	26,315	27,570	27,786	23,730	25,863	24,460
Total Assets	**658,757**	**677,378**	**682,166**	**672,188**	**652,344**	**658,398**	**663,437**	**663,140**

Liabilities and Shareholders' Equity	2010				2009			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	52,860	47,242	49,542	45,367	44,043	44,315	47,737	47,383
Due to customers and securities issued	401,047	408,476	412,996	405,127	397,008	399,509	407,944	403,226
Financial liabilities held for trading	45,045	58,140	56,413	48,350	42,264	45,329	41,320	48,707
Financial liabilities designated at fair value through profit and loss	26,144	26,357	26,430	27,692	28,151	28,629	27,970	26,921
Tax liabilities	3,269	3,050	2,874	3,785	3,225	3,347	3,191	4,859
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	9,375	9,723	9,702	10,210	10,771
Other liabilities	20,954	26,015	26,505	24,685	22,727	24,233	26,382	25,587
Technical reserves	50,188	49,585	48,612	47,947	46,026	44,461	41,073	39,157
Allowances for specific purpose	4,650	4,567	4,620	4,799	4,799	5,214	5,232	5,442
Share capital	6,647	6,647	6,647	6,647	6,647	6,647	6,647	6,647
Reserves	45,235	45,265	45,317	46,358	43,659	43,614	43,548	43,697
Valuation reserves	-1,054	-1,134	-1,120	-339	-430	-589	-1,041	-1,905
Minority interests	1,067	968	1,640	1,707	1,697	1,725	1,636	1,573
Net income	2,705	2,200	1,690	688	2,805	2,262	1,588	1,075
Total Liabilities and Shareholders' Equity	**658,757**	**677,378**	**682,166**	**672,188**	**652,344**	**658,398**	**663,437**	**663,140**

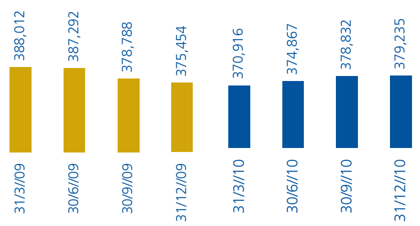
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	31.12.2010	% breakdown	31.12.2009	% breakdown	Changes amount	Changes %
Current accounts	30,689	8.1	32,468	8.7	-1,779	-5.5
Mortgages	166,230	43.8	165,655	44.1	575	0.3
Advances and other loans	132,388	34.9	127,762	34.0	4,626	3.6
Commercial banking loans	**329,307**	**86.8**	**325,885**	**86.8**	**3,422**	**1.1**
Repurchase agreements	**10,703**	**2.8**	**10,586**	**2.8**	**117**	**1.1**
Loans represented by securities	**18,017**	**4.8**	**18,527**	**4.9**	**-510**	**-2.8**
Non-performing loans	**21,208**	**5.6**	**20,456**	**5.5**	**752**	**3.7**
Loans to customers	**379,235**	**100.0**	**375,454**	**100.0**	**3,781**	**1.0**

Quarterly development
Loans to customers



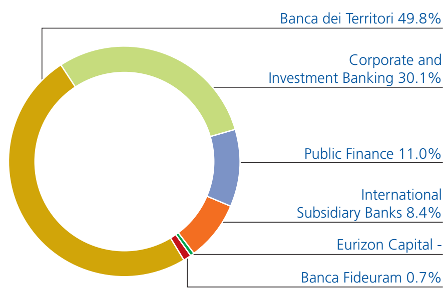
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 31 December 2010, the Intesa Sanpaolo Group’s loans to customers were up 1% on an annual basis. The trend for the year, conditioned by a market in which there is still uncertainty over the continuity of the economic recovery, showed a decline in the first quarter of the year and a gradual recovery in the subsequent quarters.
In particular, commercial banking loans (+1.1%) recorded the increase in the technical forms of advances and other loans (+3.6%), used especially by businesses, whereas current accounts declined (-5.5%). Mortgages remained essentially unchanged, confirming the stability of investments in residential properties. Repurchase agreement transactions, mainly carried out with businesses, increased by 1.1%. Loans represented by securities recorded a 2.8% decrease. As a result of the persistent difficulties of businesses and households, the uptrend in non-performing loans continued (+3.7%).
In the domestic medium-/long-term loan market, disbursements to households exceeded 16 billion euro in 2010, reaching the same levels as in the previous year, while those to businesses came to 11 billion euro, up from 9 billion euro in 2009.
As at 31 December 2010, the Group’s share of the domestic market (calculated on the harmonised time-series defined for countries in the Eurozone) was 15.8% for total loans, confirming the downtrend since the start of the year, attributable to the medium-/long-term loans component.

(millions of euro)

	31.12.2010	31.12.2009	Changes amount	Changes %
Banca dei Territori	184,012	183,643	369	0.2
Corporate and Investment Banking	111,108	107,616	3,492	3.2
Public Finance	40,508	41,186	-678	-1.6
International Subsidiary Banks	30,926	29,644	1,282	4.3
Eurizon Capital	153	171	-18	-10.5
Banca Fideuram	2,812	1,982	830	41.9
Total business areas	**369,519**	**364,242**	**5,277**	**1.4**
Corporate Centre	9,716	11,212	-1,496	-13.3
Intesa Sanpaolo Group	**379,235**	**375,454**	**3,781**	**1.0**

Business areas



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

Breaking down loans by business areas, Banca dei Territori, which accounts for approximately half the aggregate of the Group’s business areas, reported that loans to customers were essentially stable (+0.2%) compared to the end of the previous year: the decrease in loans to private and small-business customers was offset by the rise in loans to businesses. The most significant contributions to the growth of the Group's loans were provided by the Corporate and Investment Banking segment (+3.2%), owing to the resumption of disbursements by Italian and international corporate counterparties, the significant increase in the loans of leasing and factoring product companies and greater repurchase agreement transactions by Banca IMI with institutional operators and financial intermediaries. A positive contribution was also made by the International Subsidiary Banks (+4.3%) owing to the new transactions undertaken during the period. Banca Fideuram loans also increased (+41.9%) in relation to the increase in current account loans and the introduction of new repurchase agreement business with institutional investors. Loans in the public works and infrastructure sector served by BIIS decreased by 1.6% despite the nearly 4 billion euro in new disbursements during the year. The decrease in Corporate Centre loans (-13.3%) was driven by the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	31.12.2010		31.12.2009		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	7,354	1.9	5,365	1.4	1,989
Substandard loans	9,006	2.4	10,375	2.8	-1,369
Restructured loans	3,334	0.9	2,293	0.6	1,041
Past due loans	1,514	0.4	2,423	0.7	-909
Non-performing loans	**21,208**	**5.6**	**20,456**	**5.5**	**752**
Performing loans	340,010	89.6	336,471	89.6	3,539
Loans represented by performing securities	18,017	4.8	18,527	4.9	-510
Loans to customers	**379,235**	**100.0**	**375,454**	**100.0**	**3,781**

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

(millions of euro)

	31.12.2010			31.12.2009			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	20,577	-13,223	7,354	16,459	-11,094	5,365	1,989
Substandard loans	11,378	-2,372	9,006	12,976	-2,601	10,375	-1,369
Restructured loans	3,631	-297	3,334	2,402	-109	2,293	1,041
Past due loans	1,667	-153	1,514	2,583	-160	2,423	-909
Non-performing loans	**37,253**	**-16,045**	**21,208**	**34,420**	**-13,964**	**20,456**	**752**
Performing loans	342,493	-2,483	340,010	338,919	-2,448	336,471	3,539
Performing loans represented by securities	18,499	-482	18,017	19,083	-556	18,527	-510
Loans to customers	**398,245**	**-19,010**	**379,235**	**392,422**	**-16,968**	**375,454**	**3,781**

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

At the end of 2010, the Group recorded a 3.7% increase in non-performing loans, net of adjustments, compared to the end of the previous year, which led to a slight increase in the incidence of non-performing loans on total loans to customers. Coverage of non-performing loans, considering the guarantees securing positions, came to 43%, up by 2.5 points compared to the end of 2009, a level deemed adequate to account for expected losses.
In detail, loans classified as doubtful came to 7,354 million euro as at 31 December 2010, up by 37.1% since the beginning of the year and representing 1.9% of total loans.
Substandard loans amounted to 9,006 million euro and were down by 13.2% compared to 31 December 2009, also owing to the reaching of restructuring agreements resulting in the reclassification of several positions of significant amount. Substandard loans declined to 2.4% of total loans.
Restructured loans came to 3,334 million euro, up by 45.4% compared to the end of December 2009, as a consequence of the agreements with debtors cited above.
Past due loans totalled 1,514 million euro, down by 37.5% owing in part to the reclassification to performing loans of several exposures relating to the regulatory segment of residential mortgages for private individuals following authorisation from the Bank of Italy for the use of the internal model for that technical form.

Customer financial assets

(millions of euro)

	31.12.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	427,191	51.6	425,159	51.7	2,032	0.5
Indirect customer deposits	427,189	51.6	424,452	51.7	2,737	0.6
Netting [(a)]	-26,056	-3.2	-27,965	-3.4	-1,909	-6.8
Customer financial assets	**828,324**	**100.0**	**821,646**	**100.0**	**6,678**	**0.8**

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

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

Customer financial assets reached 828 billion euro as at 31 December 2010, up by 0.8% since the beginning of the year owing to the good performance of direct deposits, essentially owing to the expansion of repurchase agreements and securities lending, as well as to indirect deposits. The latter benefited from the increase in both assets under management (+0.6%) and assets under administration (+0.7%).
The performance of assets under management is attributable in particular to portfolio management, markedly in the private banking market, which also benefited from the investment of capital repatriated under the tax amnesty, and to insurance products. Demand in the mutual funds segment remains weak.

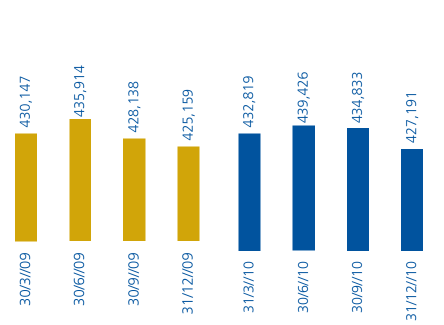
Direct customer deposits

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)

	31.12.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	198,359	46.4	198,356	46.7	3	-
Repurchase agreements and securities lending	13,111	3.1	7,422	1.7	5,689	76.7
Bonds	120,849	28.3	124,955	29.4	-4,106	-3.3
of which designated at fair value (*)	*1,238*	*0.3*	*3,225*	*0.8*	*-1,987*	*-61.6*
Certificates of deposit	19,706	4.6	25,475	6.0	-5,769	-22.6
Subordinated liabilities	24,196	5.7	22,981	5.4	1,215	5.3
Financial liabilities of the insurance business designated at fair value (*)	24,906	5.8	24,926	5.9	-20	-0.1
Other deposits	26,064	6.1	21,044	4.9	5,020	23.9
of which designated at fair value (*)	-	-	-	-	-	-
Direct customer deposits	**427,191**	**100.0**	**425,159**	**100.0**	**2,032**	**0.5**

Quarterly development Direct deposits



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

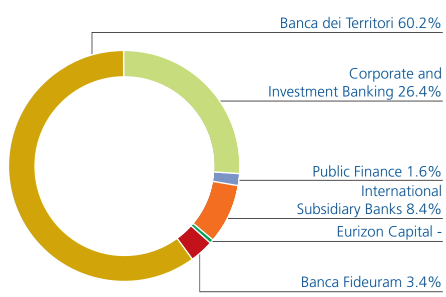
(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

Direct customer deposits amounted to 427 billion euro, up slightly (+0.5%) compared to the end of December 2009.
In detail, a positive contribution came from repurchase agreements and securities lending, which nearly doubled compared to 31 December 2009, and subordinated liabilities (+5.3%). Other deposits also increased by 23.9%, mainly due to new issues of commercial papers by the Group's international subsidiaries and other funds raised from customers. Conversely, decreases were posted in both certificates of deposit (-22.6%) and bonds (-3.3%), although they confirmed their importance to the Group's overall funding. Current accounts and deposits and the financial liabilities of the insurance business remained stable compared to the end of 2009.
At the end of 2010, the Group's share of direct customer deposits on the domestic market (according to the ECB’s harmonised definition) came to 17.1%, down compared to the beginning of the year, in part due to the repurchase agreement component, which underperformed the system-wide figure.

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Banca dei Territori	217,118	220,956	-3,838	-1.7
Corporate and Investment Banking	95,150	94,900	250	0.3
Public Finance	5,757	6,461	-704	-10.9
International Subsidiary Banks	30,259	28,564	1,695	5.9
Eurizon Capital	12	3	9	
Banca Fideuram	12,255	13,604	-1,349	-9.9
Total business areas	**360,551**	**364,488**	**-3,937**	**-1.1**
Corporate Centre	66,640	60,671	5,969	9.8
Intesa Sanpaolo Group	**427,191**	**425,159**	**2,032**	**0.5**

Business areas



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

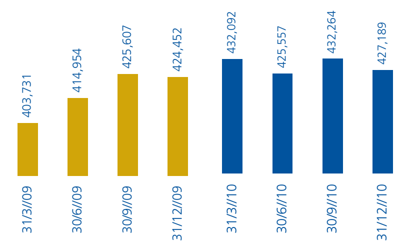
The breakdown by Group business areas shows that Banca dei Territori, which made up approximately 60% of the total aggregate attributable to the business areas, recorded a 1.7% decrease compared to the start of the year, mainly as a result of securities issued. The funding of International Subsidiary Banks increased (+5.9%), driven by the issue of securities, while the funding of Corporate and Investment Banking remained essentially stable (+0.3%), benefiting from the increased repurchase agreement transactions by Banca IMI. Conversely, there were decreases in the funding of Banca Fideuram (-9.9%), in relation to the shift in cash assets under management and bond subscriptions, and of Public Finance (-10.9%), chiefly due to the decrease in customer deposits. The growth reported by the Corporate Centre (+9.8%) is chiefly due to the amounts due to customers in the form of repurchase agreements with Cassa di Compensazione e Garanzia and to the funds made available by Cassa Depositi e Prestiti to support credit for small and medium enterprises.

Indirect customer deposits

(millions of euro)

	31.12.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	69,904	16.4	80,140	18.9	-10,236	-12.8
Open-ended pension funds and individual pension plans	3,084	0.7	3,417	0.8	-333	-9.7
Portfolio management	74,249	17.4	65,820	15.5	8,429	12.8
Life technical reserves and financial liabilities	77,136	18.1	71,343	16.8	5,793	8.1
Relations with institutional customers	9,180	2.1	11,423	2.7	-2,243	-19.6
Assets under management	**233,553**	**54.7**	**232,143**	**54.7**	**1,410**	**0.6**
Assets under administration and in custody	**193,636**	**45.3**	**192,309**	**45.3**	**1,327**	**0.7**
Indirect customer deposits	**427,189**	**100.0**	**424,452**	**100.0**	**2,737**	**0.6**

Quarterly development Indirect deposits



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

Indirect customer deposits amounted to 427 billion euro as at 31 December 2010, an increase of 2.7 billion euro (+0.6%) compared to 31 December 2009. Figures are net of third-party securities on deposit in connection with the dealings of the securities services business, which was sold in the second quarter of 2010.
Assets under management, which account for more than half of the aggregate, came to approximately 234 billion euro (+0.6%). Positive contributions came from portfolio management (+12.8%) and life insurance policies (+8.1%), which more than offset the downtrend in mutual funds (-12.8%). In the insurance segment, the new Intesa Vita, EurizonVita, Sud Polo Vita, Centro Vita Assicurazioni and Fideuram Vita business came to nearly 15 billion euro compared to the more than 12 billion euro recognised in 2009, owing to the strong performance of the placement of traditional and unit-linked policies.
The increase in assets under administration (+0.7%) is attributable to the securities positions of institutional customers, which more than offset the decrease in the value of the shares and bonds in the securities portfolios of retail customers.

Financial assets and liabilities

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Financial assets held for trading	71,899	70,900	999	1.4
of which derivatives at fair value	*38,940*	*37,913*	*1,027*	*2.7*
Financial assets designated at fair value through profit and loss	35,549	31,982	3,567	11.2
Financial assets available for sale	61,612	50,943	10,669	20.9
Investments held to maturity	3,839	4,561	-722	-15.8
Total financial assets	**172,899**	**158,386**	**14,513**	**9.2**
Financial liabilities held for trading	**-45,045**	**-42,264**	**2,781**	**6.6**
of which derivatives at fair value	*-42,281*	*-39,863*	*2,418*	*6.1*

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.
Total financial assets increased by 9.2%, primarily owing to the performance of financial assets available for sale, which rose from 51 billion euro to 62 billion euro. The increase essentially related to the bond and government security component of portfolios and is mainly attributable to the Parent Company and the companies in the insurance segment that hold the most significant share of that aggregate.
Financial assets held for trading increased slightly (+1.4%), mainly due to trading derivatives.
Financial assets designated at fair value through profit and loss increased (+11.2%), whereas investments held to maturity decreased (-15.8%).

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

(millions of euro)

	31.12.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	53,208	85.3	49,325	81.3	3,883	7.9
of which designated at fair value	*22,116*	*35.4*	*17,988*	*29.7*	*4,128*	*22.9*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	15,269	24.5	15,549	25.7	-280	-1.8
of which designated at fair value	*13,402*	*21.5*	*13,899*	*22.9*	*-497*	*-3.6*
Other assets designated at fair value through profit and loss	31	-	95	0.2	-64	-67.4
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**68,508**	**109.8**	**64,969**	**107.2**	**3,539**	**5.4**
Financial liabilities held for trading	**-2,764**	**-4.4**	**-2,401**	**-4.0**	**363**	**15.1**
Net value of financial derivatives	-3,179	-5.1	-1,617	-2.7	1,562	96.6
Net value of credit derivatives	-162	-0.3	-333	-0.5	-171	-51.4
Net value of trading derivatives	**-3,341**	**-5.4**	**-1,950**	**-3.2**	**1,391**	**71.3**
Financial assets / liabilities, net	**62,403**	**100.0**	**60,618**	**100.0**	**1,785**	**2.9**

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 62 billion euro, up 2.9% compared to the end of 2009.
In detail, the increase was due to the rise in the stock of bonds, which more than offset the expansion in financial liabilities held for trading, including short-selling.

Financial assets available for sale

(millions of euro)

	31.12.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	56,163	91.1	45,605	89.6	10,558	23.2
Equities and quotas of UCI	5,416	8.8	5,262	10.3	154	2.9
Securities available for sale	**61,579**	**99.9**	**50,867**	**99.9**	**10,712**	**21.1**
Loans available for sale	**33**	**0.1**	**76**	**0.1**	**-43**	**-56.6**
Financial assets available for sale	**61,612**	**100.0**	**50,943**	**100.0**	**10,669**	**20.9**

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

Financial assets available for sale amounted to nearly 62 billion euro, up by 20.9% compared to 31 December 2009.
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

Net interbank position came to a negative 10 billion euro at 31 December 2010, compared to 0.8 billion euro at the end of 2009. In detail, the imbalance between due from/due to banks increased in the fourth quarter due to the increase in reverse repurchase agreements with banks and a decrease in the credit position on the MIC (Collateralised Interbank Market), for which Cassa di Compensazione e Garanzia has been acting as counterparty since October 2010 and which thus no longer affects interbank position. At the same time, the liquidity situation in dealings with customers remains positive.

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

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	75	4	71	
Other	-	-	-	-
Individual assets	**75**	**4**	**71**	
Discontinued operations	**-**	**6,548**	**-6,548**	
of which: loans to customers	*-*	*588*	*-588*	
Liabilities associated with non-current assets held for sale and discontinued operations	**-**	**-9,723**	**-9,723**	
Non-current assets held for sale and discontinued operations and related liabilities	**75**	**-3,171**	**3,246**	

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. The decrease in the caption compared to the end of December 2009 was due to the sale of the assets and liabilities associated with the securities services business in May. The assets carried at 31 December 2010 consist of real estate assets for imminent sale.

Shareholders' equity

As at 31 December 2010, the Group's shareholders' equity, including net income for the year, came to 53,533 million euro compared to the 52,681 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the performance of reserves and the distribution of the 2009 dividend. No changes in share capital occurred in the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2009	Change in the period	Valuation reserves as at 31.12.2010	
				% breakdown
Financial assets available for sale	-135	-527	-662	62.8
Property and equipment	-	-	-	-
Cash flow hedges	-451	-43	-494	46.8
Legally-required revaluations	343	-	343	-32.5
Other	-187	-54	-241	22.9
Valuation reserves	**-430**	**-624**	**-1,054**	**100.0**

The Group's share of valuation reserves increased their negative balance, reaching -1,054 million euro as at 31 December 2010 compared to -430 million euro at the end of 2009. The change during the year is largely due to the decrease in the value of financial assets available for sale, in particular debt securities. The negative value of cash flow hedges and other reserves also increased.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	31.12.2010	31.12.2009
Regulatory capital		
Tier 1 capital	31,175	30,205
of which: instruments not included in Core Tier 1 ratio (*)	*5,016*	*4,499*
Tier 2 capital	16,348	15,472
Minus items to be deducted (**)	-3,721	-2,923
REGULATORY CAPITAL	**43,802**	**42,754**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**43,802**	**42,754**
Risk-weighted assets		
Credit and counterparty risks	289,172	316,258
Market risks	15,385	16,804
Operational risks	27,175	28,113
Other risks	426	473
RISK-WEIGHTED ASSETS	**332,158**	**361,648**
Capital ratios %		
Core Tier 1 ratio	7.9	7.1
Tier 1 ratio	9.4	8.4
Total capital ratio	13.2	11.8

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

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

At the end of 2010, total regulatory capital came to 43,802 million euro, compared to risk-weighted assets of 332,158 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 2010 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 2009. The total capital ratio stood at 13.2%, while the Group's Tier 1 ratio was 9.4%. The ratio of Tier 1 capital net of ineligible instruments, (Core Tier 1) was 7.9%.
The improvement in ratios compared to 31 December 2009 was the result not only of ordinary operations, but also of the sale of the securities services business (+37 basis points on the Core Tier 1 ratio), the application of the internal approach to determine capital requirements for residential mortgages for private individuals and the use of the AIRB approach for the corporate segment following authorisation from the Bank of Italy (approximately +50 basis points on the Core Tier 1 ratio). Negative factors included the acquisition of branches from Monte dei Paschi di Siena (-7 basis points on the Core Tier 1 ratio), the acquisition of control of Intesa Vita (-6 basis points on the Core Tier 1 ratio) and the new methods for determining regulatory capital, which as a result of the ratification of the CRD II Directive call for the exclusion of the nominal value of preference shares (-14 basis points on the Core Tier 1 ratio).

Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective from 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 December 2010 account for this measure (the effect on the Core Tier 1 ratio is +9 basis points).

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

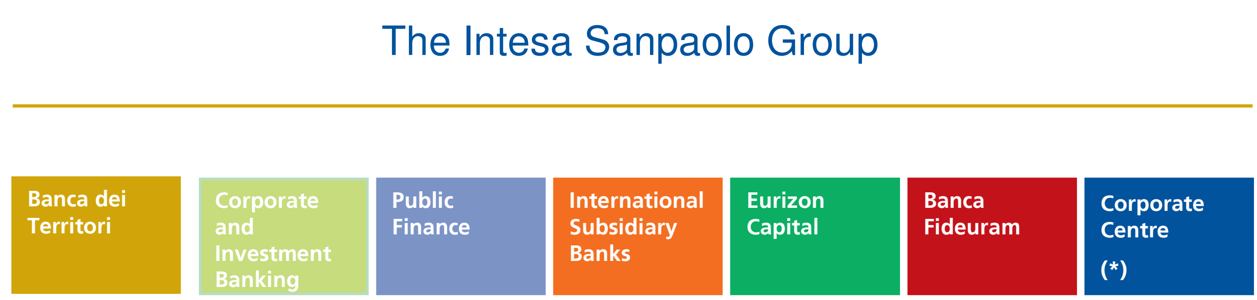
(millions of euro)

	Shareholders' equity	*of which net income as at 31.12.2010*
Parent Company's balances as at 31 December 2010	**48,850**	***2,327***
Effect of consolidation of subsidiaries subject to control	3,734	*2,505*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-30	*27*
Elimination of adjustments to equity investments and recognition of impairment of goodwill	1,084	*13*
Dividends collected during the period	-	*-2,177*
Other	-105	*10*
Consolidated balances as at 31 December 2010	**53,533**	***2,705***

BREAKDOWN OF CONSOLIDATED RESULTS BY BUSINESS AREA AND GEOGRAPHICAL AREA

Breakdown of consolidated results by business area and geographical area

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



(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2010.
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 aggregates as well as the most significant profitability ratios.
The results of the Banca CR Firenze Group, including Casse del Centro banks, previously attributed in their entirety to the Banca dei Territori Division, were assigned to divisions in early 2010. More specifically, the eleven banks in the Group based in Firenze have been segmented by rendering the criteria for allocating customers to portfolios consistent with those of the other Group banks, and product companies have been allocated according to the centre of responsibility.
Additionally, Zao Banca Intesa, which merged with KMB Bank on 1 January 2010 to create Banca Intesa Russia, has been included within the scope of the International Subsidiary Banks Division (previously the bank was under the responsibility of the Corporate and Investment Banking Division).
In July 2010, Fideuram Vita, the insurance company previously controlled by EurizonVita, was removed from the scope of consolidation of Banca dei Territori and included under the Banca Fideuram Business Unit.
As part of the reorganisation of the Group's insurance segment, Intesa Vita (in which the Group previously held a 50% interest and which was consolidated according to the equity method) was consolidated on a line-by-line basis following the acquisition of total control of the company.
Lastly, following the strategic and organisational revamping of the consumer-credit segment, Neos Finance, the company for non-captive customers managed through proprietary branches and third-party networks, was transferred to the Banca dei Territori Division (it was previously included in the Corporate Centre).
It should be noted that Division figures for 2010 and 2009 have been restated to reflect the new scopes, where necessary.

Allocated capital was determined in accordance with the instructions issued by the Bank of Italy in compliance with Basel 2 regulatory provisions.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
2010	10,032	3,512	342	2,302	288	755	-606	16,625
2009	10,346	3,677	399	2,255	323	670	-11	17,659
% change [a]	-3.0	-4.5	-14.3	2.1	-10.8	12.7		-5.9
Operating costs								
2010	-5,988	-888	-83	-1,169	-132	-348	-746	-9,354
2009	-6,071	-902	-81	-1,149	-138	-353	-829	-9,523
% change [a]	-1.4	-1.6	2.5	1.7	-4.3	-1.4	-10.0	-1.8
Operating margin								
2010	4,044	2,624	259	1,133	156	407	-1,352	7,271
2009	4,275	2,775	318	1,106	185	317	-840	8,136
% change [a]	-5.4	-5.4	-18.6	2.4	-15.7	28.4	61.0	-10.6
Net income								
2010	783	1,416	138	378	77	138	-225	2,705
2009	1,204	1,262	116	370	91	107	-345	2,805
% change [a]	-35.0	12.2	19.0	2.2	-15.4	29.0	-34.8	-3.6
Loans to customers								
31.12.2010	184,012	111,108	40,508	30,926	153	2,812	9,716	379,235
31.12.2009	183,643	107,616	41,186	29,644	171	1,982	11,212	375,454
% change [b]	0.2	3.2	-1.6	4.3	-10.5	41.9	-13.3	1.0
Direct customer deposits								
31.12.2010	217,118	95,150	5,757	30,259	12	12,255	66,640	427,191
31.12.2009	220,956	94,900	6,461	28,564	3	13,604	60,671	425,159
% change [b]	-1.7	0.3	-10.9	5.9		-9.9	9.8	0.5

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

[a] The change expresses the ratio between 2010 and 2009.

[b] The change expresses the ratio between 31.12.2010 and 31.12.2009.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes	
			amount	%
Net interest income	5,892	6,373	-481	-7.5
Dividends and profits (losses) on investments carried at equity	-	57	-57	
Net fee and commission income	3,451	3,268	183	5.6
Profits (Losses) on trading	88	110	-22	-20.0
Income from insurance business	572	530	42	7.9
Other operating income (expenses)	29	8	21	
Operating income	**10,032**	**10,346**	**-314**	**-3.0**
Personnel expenses	-3,398	-3,394	4	0.1
Other administrative expenses	-2,581	-2,644	-63	-2.4
Adjustments to property, equipment and intangible assets	-9	-33	-24	-72.7
Operating costs	**-5,988**	**-6,071**	**-83**	**-1.4**
Operating margin	**4,044**	**4,275**	**-231**	**-5.4**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-104	-85	19	22.4
Net adjustments to loans	-2,080	-1,992	88	4.4
Net impairment losses on other assets	-17	-58	-41	-70.7
Profits (Losses) on investments held to maturity and on other investments	-	420	-420	
Income (Loss) before tax from continuing operations	**1,843**	**2,560**	**-717**	**-28.0**
Taxes on income from continuing operations	-752	-913	-161	-17.6
Merger and restructuring-related charges (net of tax)	-50	-175	-125	-71.4
Effect of purchase price allocation (net of tax)	-258	-251	7	2.8
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-17	-17	
Net income	**783**	**1,204**	**-421**	**-35.0**
Allocated capital	8,899	10,536	-1,637	-15.5
Profitability ratios (%)				
Cost / Income ratio	59.7	58.7	1.0	1.7
ROE	8.8	11.4	-2.6	-23.0
EVA® (millions of euro)	307	741	-434	-58.6

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Loans to customers	184,012	183,643	369	0.2
Direct customer deposits	217,118	220,956	-3,838	-1.7
of which: due to customers	*140,835*	*140,120*	*715*	*0.5*
securities issued	*57,324*	*61,882*	*-4,558*	*-7.4*
financial liabilities designated at fair value through profit and loss	*18,959*	*18,954*	*5*	*-*
Indirect customer deposits	249,920	248,803	1,117	0.4

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

Banca dei Territori's operating income was 10,032 million euro in 2010, amounting to over 60% of the Group's consolidated operating income, down 3% on the previous year. In further detail, there was a fall in net interest income (-7.5%), mainly deriving from the decrease in revenues from customer deposits following the drop in market rates, which translated into a lower mark-down. The interest margin was also negatively impacted by the elimination of overdraft charges effective June 2009. On the other hand, hedging activity and the rise in average direct deposit volumes had a positive effect. Net fee and commission income increased (+5.6%), benefiting from the strong performance of asset management, the increased volume of bancassurance products distributed, as well as the introduction of a commitment fee. The other income components that showed increases include income from the insurance business, which rose from 530 million euro in 2009 to 572 million euro, as a result of shrewd management of the financial portfolios and the strong performance of the new business driven by the traditional policies in the life insurance segment. Operating costs of 5,988 million euro represented a savings compared to the previous year (-1.4%).

The operating margin amounted to 4,044 million euro, down 5.4% on 2009. After greater net adjustments to loans (+4.4%) and higher net provisions for risks and charges (+22.4%), attributable chiefly to Neos Finance (consumer credit), income before tax from continuing operations came to 1,843 million euro down 28%. Lastly, after allocation of merger and restructuring-related charges to the Division of 50 million euro and the economic effects of purchase price allocation for 258 million euro, net income was 783 million euro, down 35% (-2.6% if the Findomestic capital gain recognised in 2009 is excluded).
The operating margin in the fourth quarter was down 5.7% compared to the third quarter, as a result of the increase in operating costs that outpaced revenue growth. Income before tax from continuing operations declined severely as a result of significant net adjustments to loans applied during the fourth quarter.
The Division absorbed 41% of Group capital, a lower percentage than in the previous year. In absolute terms, capital came to 8,899 million euro, down 15.5% due to the containment of assets at risk associated primarily with the retail and corporate segment. As a result of the trends in allocated capital and net income described above, ROE came to 8.8%, down compared to 2009. Economic value added was 307 million euro compared to 741 million euro in the previous year.
The balance sheet figures at the end of December 2010 showed loans to customers of 184,012 million euro, essentially stable (+0.2%) compared to the end of the previous year: the decrease in loans to private and small-business customers was offset by the rise in loans to businesses. Direct customer deposits totalled 217,118 million euro, down (-1.7%) from the beginning of the year, mainly due to the decrease in funding through securities. Indirect deposits amounted to 249,920 million euro, up slightly (+0.4%) on the end of December 2009, owing to the growth in assets under management attributable to life-insurance policies and individual portfolio-management schemes, which more than offset the growth in assets under administration.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Handles the Household (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and Group loan facilities under 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), the consumer credit and e-money segment (Moneta, which absorbed Setefi, specialised in the management of electronic payments, and Neos Finance) and trust services
Banca Prossima	Serves non-profit organisations.
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services.
Distribution structure	Over 5,600 branches, including retail, business and private-banking branches, distributed broadly throughout Italy. The territorial structure is divided into 8 Regional Governance Centres that coordinate 22 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.

Effective the beginning of 2010, the scope of the Banca dei Territori Division changed due to the assignment to divisions of the banks belonging to the Banca CR Firenze group, including Casse del Centro banks, thereby rendering the criteria for allocating customers to portfolios consistent with those of the other network banks.
In June the purchase was completed of the 50 branches of Banca Monte dei Paschi di Siena by Banca CR Firenze.
At the end of July, Fideuram Vita, the insurance company previously controlled by EurizonVita, was removed from the scope of consolidation of Banca dei Territori and included under the Banca Fideuram Business Unit.
Lastly, following the strategic and organisational revamping of the consumer-credit segment, Neos Finance, the company devoted to non-captive customers managed through proprietary branches and third-party networks, was transferred to the Banca dei Territori Division (it was previously included in the Corporate Centre).
On 15 October 2010, an agreement was signed by Intesa Sanpaolo and Fondazione Monte di Parma governing the acquisition of 51% of Banca Monte Parma capital. The finalisation of the transaction is conditional upon the authorisation of competent authorities.

Retail Marketing Department

Investment

During the year, the offer of investment products has been expanded with the launch of:

- three issues of the "Eurizon Focus Riserva Doc" mutual fund, a floating rate product that combines the features of a bond with the advantages of a mutual fund, aimed at customers who want to have a regular dividend and diversify their portfolio, whilst obtaining a higher return than the yield on government securities; three sub-funds of the "Eurizon Focus Capitale Protetto" fund, which enables modest growth of invested capital with capital protection on maturity; the launch in July of "Focus Azioni Strategia Flessibile", a new sub-fund of the mutual fund "Eurizon Easy Fund" for customers who want to invest in stock markets whilst protecting themselves against fluctuations. Finally, the first sub-fund of the new "Eurizon Focus Strategia Flessibile" mutual fund was launched in October, combining the features of the "Eurizon Focus Riserva Doc" with a new management strategy aimed at obtaining higher returns than those of a basket of Euro government bonds;
- a new targeted investment service called "Eurizon Meta", specifically for customers over 35, aimed at providing an investment plan to achieve their financial targets through an innovative engine based on a Life Cycle strategy and simple simulation tools that enable the assessment of the progress of the investment. The range of investment solutions was completed in December, adding an on-line reporting service to "Eurizon Meta", "Meta Giovani" and "Insieme per Domani". Thanks to this service, the manager can provide customers with real-time information about the performance of the plan over time, checking accrued capital and the payments made and monitoring the projection of capital at maturity;
- two new portfolio management lines "GP Linea Strategia Valore" and "GP Linea Strategia Valore Più" for affluent customers, whose main objective is the protection of their assets and who want to delegate their management whilst still maintaining high levels of information and transparency and a close relationship with their branch advisor. The new lines are designed to create value through a flexible approach in the selection of the weightings to be assigned to the components according to the market scenarios and with strict control of risk;
- "Area Flessibile", a new investment offer under the "Unit Prospettiva" policy aimed at customers who want to exploit opportunities in the financial markets within a maximum level of risk and volatility. The offering provides a choice of the following funds: "Capitale Attivo Base", "Capitale Attivo Standard" and "Capitale Attivo Plus" that differ in terms of expected return and maximum levels of annual volatility. The management of these new funds is characterised by broad freedom in the selection of investments, continuous efforts to optimise return and the option to dynamically adjust the monetary, bond and equity component according to market trends.

During the year, the new TV, press and web campaign was launched on asset management, featuring the Personal and Household customer managers.

Cards, internet and mobile banking

In 2010 SuperFLash, the prepaid, personal and rechargeable card launched in 2009 was enriched with new functions including the option of ordering it with the name of the cardholder printed on the front of the card. Marketing also started during the year of the Superflash PayPass card, the first contactless card in the Italian market. The card enables small payments to be made by passing the card in front of POSs with special card readers, without having to enter the PIN.
The "Commercial" credit card, aimed at small business, company and corporate customers, issued on the VISA circuit and that can be used to pay business and professional expenses, was launched. The card can be customised to meet customer needs.
In order to celebrate 150 years of Unification of Italy, the new Carta Esperienza Italia 150 was launched at the beginning of October. This multi-purpose card provides access to a large number of services (such as the possibility of purchasing at reduced prices tickets for public transport and admissions to exhibition and events which will take place in Turin in 2011), whilst also offering traditional prepaid card functions which holders can enable upon request.
For customers with a multi-channel contract the new remote digital signature function was made available, which enables the online purchase of the Bank's products and services. This is the first stage of a project aimed at offering customers the possibility of having the "whole Bank" readily available on their computer. The first product available for purchase online is the SuperFlash card. Starting from the end of October, the personal loans, "Prestito Giovani", with no preliminary investigation of application fees, and "Prestito Multiplo", which can be combined with the "ProteggiPrestito" policy, are also available.

Mortgages	During the year the repayment plans for "Domus Block", the capped floating rate property mortgage, were restyled. The new version of the product provides a more flexible and modular response to the borrowing needs of customers who prefer floating rate mortgages, but still want to protect themselves from excessive interest rates rises. The restyling was expanded during the year with the introduction of new purposes (purchase plus renovation, construction, renovation and minor renovation of residential properties either as first or second homes) and a mechanism that, in the event of the granting of condition exemptions, enables the automatic reduction of the CAP equal to the exemptions applied to the spread. Finally, the offer range has also been supplemented with the introduction of "DomusPiù Block", aimed at providing refinancing against the settlement of existing residential property mortgages, with the simultaneous disbursement of additional sums to settle personal loans and/or grant new cash facilities. At year end, the range of Domus mortgages was expanded to include new high Loan-To-Value solutions to purchase the first home which allow mortgage substitution and financing up to 95%.
Loans	To support households facing difficulties, Intesa Sanpaolo has subscribed to the "Piano Famiglie" (households plan), an initiative promoted by the Italian Bankers Association and subject of an agreement with the main Consumer Associations. Customers who qualify under the Plan can request the suspension of the payment of the mortgage instalments for their main residence, upon the occurrence of certain events that can significantly impact their ability to repay (such as loss of job position, death of the mortgage holder, temporary lay-off). The suspension, which lasts for 12 months, can involve the entire instalment (principal plus interest) or just the principal (not available for mortgages with arrears and mortgages with fixed instalments and variable rate and duration). At the end of the suspension period the repayment of the mortgage will start up again at the frequency provided for in the contract, in accordance with the established repayment plan, extended by a period equal to the suspension period. Intesa Sanpaolo has entered into the agreement with the Italian "Dipartimento per le Politiche della Famiglia" (department for family policies), which has established the "Fondo di credito per i nuovi nati" (credit fund for newborns). By issuing guarantees to the banks participating in the initiative, this Fund facilitates access to credit for households with children born in the years 2009, 2010 and 2011, and supports households with children born or adopted in 2009 suffering from rare diseases, by making contributions to the interest on loans guaranteed by the Fund. Intesa Sanpaolo has taken part with the offer of a loan for a maximum amount of 5,000 euro and a duration of 5 years at a subsidised fixed rate. During the year, the Department promoted the "Prestito Multiplo", a simple, fast and flexible loan designed to fund personal and/or household expenses at a promotional rate. Finally, a campaign was launched for the "Prestito Scuola" (school loan), a new product for households that want to finance their education and training expenses at a promotional rate available until the end of 2010. This loan, up to a maximum of 5,000 euro, provides customers simple and rapid access to an instrument enabling them to spread school expenses over time (from 12 to 24 months), such as the purchase of books and materials, payment of university fees, language courses and the purchase of a personal computer.

Small Business Marketing Department

Loans	In 2010, Intesa Sanpaolo signed the addendum to the "Agreement concerning the suspension of debt owed by SMEs to the financial system" (signed by the Italian Banking Association, the Government and trade associations on 3 August 2009) which extended the benefits of the deferral to agricultural and subsidised loans. The Bank also independently extended the benefits of the agreement to freelance professionals. To offer a solution to new market demands in terms of clean energy, the product "Prestito Ecologico" was amended with the introduction of major changes in relation to the amount and also to the duration, for loans destined for photovoltaic installations. The products offered to SMEs as "crisis solutions" included the launch of the new "Finanziamento Sostituzione" (replacement loan), which enables the rescheduling to the medium/long term of two or more short and/or medium/long term loans held with the Intesa Sanpaolo Group or other banks. The year also saw the launch of a new product "Anticipo su prenotazioni alberghiere" (advance on hotel bookings). This is a short-term loan with a maximum duration of 8 months that meets the needs of companies operating in the accommodation and tourism sector, where liquidity is highly seasonal, by providing access to cash flows from documented bookings of up to 50% of the amount. The "Anticipo Fatture a carico della Pubblica Amministrazione" (advances on invoices issued to public authorities) was also introduced. This product is aimed at small and medium businesses that have commercial receivables due from public authorities for which the Bank is the treasurer/cashier. The target customers (small businesses and companies with an adequate internal rating) will be able to factor the receivables for up to 100% of the amount due. The loan must be backed by the with-recourse sale of the receivable, by the signature of a specific commercial agreement between the Authority and the Bank and by the issue of a certificate by the Authority concerning the certainty and collectability of the receivable.
Agreements	In 2010, Intesa Sanpaolo signed a collaboration agreement with the Italian trade association Confesercenti, aimed at supporting small businesses in trade, tourism and services, by guaranteeing continuity of credit to the distribution system and providing the necessary liquidity to overcome the current economic crisis. As a result of the accord and the specific agreements entered into at local level, the Group banks offered member businesses up to a maximum of 1 billion euro, available through credit facilities and medium/long term loans to be granted in relation to four areas of intervention identified in the agreement: – recapitalisation; – flexibility of financing; – business development; – working capital. In October, an agreement was entered into with CreditAgri Coldiretti to support the growth and development of small and medium agricultural and agro-food enterprises. The agreement calls for a maximum of 1.5 billion euro in loans for Coldiretti member enterprises, in addition to flexibility options with respect to loan maturities. It also provides for insurance solutions to protect loans from commercial credit risks as well as current account services. The collaboration agreement with the Italian trade association Confesercenti, which was signed in August 2009, was renewed at the end of the year. Under this agreement, the Bank provides member companies with loans of up to 3 billion euro and identifies the solutions and elements that can be used to satisfy short and medium/long-term solutions and promote the launch of recapitalisation plans. The terms of the domestic agreement will be implemented throughout 2011 with the Bank and Confcommercio local associations and, possibly, Confidi, entering into specific local agreements with the possibility of customising the commercial proposal. An agreement was signed between the Intesa Sanpaolo Group and Fiavet (the Italian association of travel agents) which offers association members two current accounts (Conto Commercio - commercial account - and Conto Business Illimitato - unlimited business account) with favourable conditions, and the possibility of opening credit facilities at subsidised rates, also in the form of advances on future cash receipts. With the support of Agriventure and Mediocredito Italiano, Intesa Sanpaolo signed an agreement with Assoavi (fowl and rabbit breeders and producers association) aimed at supporting member businesses in the investments required to adapt their production facilities to the new EU regulations and to construct renewable energy installations powered by livestock farm waste. In collaboration with Agriventure, the "Countersign" project was also implemented, which provides instruments for the development of the agro-food sector and for risk management, facilitating the acquisition of new relationships. The project involves the signature of commercial agreements with operators who are members of Wine Growers Cooperatives, Consortia, Dairies, Flour Mills etc., guaranteeing favourable conditions for their members. No guarantees are required by the company/organisation entering into the agreement. However, Confidi may issue guarantees.

Business Marketing Department

Loans	The "Crescita 60 - 2010" loan was launched in collaboration with Eurofidi, for Business and Small Business customers who are members of Eurofidi. The loans, which have a maximum duration of 60 months, are for investments in tangible and intangible assets and for other financial requirements and shall be guaranteed up to a maximum of 80% with a CAP of 4% on the guaranteed loans portfolio in relation to a specifically signed agreement. Also available is the "Fondo di Garanzia PMI" (SME Guarantee Fund) short term loan. The Guarantee Fund was set up by law 662/96 to facilitate access to credit by small and medium enterprises through the granting of a public guarantee with the following methods of intervention: "direct guarantee", "counterguarantee" and "joint guarantee" (the last two are mainly used by Confidi). This new product, which adds to the catalogue of loans secured by guarantees pursuant to law 662/96 alongside the existing medium/long term loan, is aimed at customers operating in the sectors covered by the Fund for short term financial needs. Lastly, Nova+, the loan set up by the Intesa Sanpaolo Group, through Mediocredito Italiano, for businesses that want to invest in research, development and innovation projects, has been revamped by further enhancing its key strengths: – competitive pricing, also thanks to the use, where possible, of specific EIB loans and the SME Guarantee Fund; – high degree of flexibility: long prepayment periods (up to 18 months, extendable to 24 months for the Purchase solution and 30 months for the Research solution) and disbursement in advance of the investment, in a single or double payment; – building on relations with Universities: direct collaboration with major universities to make the best use of research projects (Nova+ Research line) providing access, for the businesses interested, to the most advanced technological research and development facilities in Italy.
Internationalisation	The commercial coordination and assistance in the traditional operations of "foreign trade" and "cash management" managed by the Business Marketing Department are supported by the activities of the Business Internationalisation Unit (formerly Global Services), created within the Corporate and Investment Banking Division in order to provide a point of contact to the branches and the foreign trade specialists of the Banca dei Territori for the establishment of structured services, in support of projects for investment in production and penetration of foreign markets. The Unit will provide customers the services of: foreign market scouting, structured export, planning and/or implementation of foreign direct investment and management of foreign associates. The objective is to meet the needs of customer businesses that intend to extend their operations to new countries through their own production facilities and commercial structures, through production outsourcing agreements, through the establishment of new commercial relationships or through the enhancement of existing relationships. The internationalisation activities also include the collaboration agreement signed between Intesa Sanpaolo and the Milanese trade association Assolombarda, aimed at supporting Italian businesses operating in China and Chinese counterparties interested in operating in Italy, with the objective of promoting exchange and economic and technological development between the two countries. The agreement accompanies two memorandums of understanding, already signed separately with the Caohejing Hi-Tech Park Enterprises Association (CPEA), one of the most important Chinese technological and industrial parks. All of these accords provide for the mutual exchange of information and services between the partners for their member businesses or customers. A new commercial service was introduced, known as "Export 360°", developed in synergy with the Corporate and Investment Banking Division. The new service integrates the various methods of financing a commercial export operation, from advances on orders/contracts to the factoring of receivables. The aim of "Export 360°" is to: – finance companies with foreign operations involving ongoing supplies and contracts that have long periods between entry into the contract/order and payment for the supply; – sharing and developing a plan with customer companies to increase the channelling of cash flows from these types of transactions; – encouraging the network branches to adopt an approach that considers the overall cycle of the customer's export operations.
Agreements	Under the national agreement "Crescere insieme alle imprese" (growing together with businesses) signed on 3 July 2009 by Intesa Sanpaolo and Confindustria, in February 2010 the Bank re-established the 5 billion euro credit limit for small and medium enterprises, following the use of around 2 billion euro. Several agreements were signed at local level during the year, specifically: – with the Unione degli Industriali e delle imprese di Roma (Rome industrialist and enterprises association) to provide measures aimed at guaranteeing the flow of credit to the production system of Rome and surrounding province, by offering new loans to SMEs of 300 million euro; – in Lombardia, the "Con Fiducia" project, originating from an agreement between the Lombardia Region, the Sistema Camerale Lombardo and Federfidi Lombardia, which provides for extraordinary measures to facilitate access to credit for SMEs from the Lombardia Region by strengthening the guarantees of the Credit Guarantee Consortia belonging to "Federfidi"; – in Piemonte, the agreement with Finpiemonte for the management of the Guarantee Fund in support of businesses with over 250 employees, aimed at supporting the granting of credit to businesses located in the Region.

Agreements	In September, Intesa Sanpaolo and Confindustria signed an agreement to promote the growth and development of Italian small and medium industrial enterprises in the difficult environment created by tough economic conditions. The agreement continues and extends the anti-crisis measures provided for in the July 2009 agreement: – additional credit line for the management of defaults; – recapitalisation programmes to strengthen capital; – up to 270 day extension for short-term maturities; – deferral of mortgage and lease payments. The agreement also provides for a ceiling of 10 billion euro for strategic investments to boost the competitiveness of Italian companies: – internationalisation, through operational support in 40 countries and specialist advice from the Intesa Sanpaolo Group's internationalisation centre; – innovation, with the financing of research programmes, the acquisition of new technology and the creation of a link between banks, companies and universities; – growth in size, through initiatives aimed at strengthening the capital of companies and promoting business networks and local synergies. During the last few months of the year, several meetings were held with Confindustria regional and provincial offices to ratify the agreement on a local basis and to promote it among its members. Intesa Sanpaolo also continued its policy of collaboration agreements with convention groups, already initiated in 2009 with Fiera Milano, Pitti Immagine and Lingotto Fiere. In 2010 an agreement was signed with Rimini Fiera and with Bologna Fiere to promote the participation of businesses in trade fairs, in the exhibition centres in Rimini and Bologna, respectively, and in the exhibition centres of Modena and Ferrara. The agreement provides for two types of short term loan, with a maximum duration of 12 months, from a minimum of 5,000 euro up to a maximum of 250,000 euro to cover the costs of hiring exhibition spaces and the expenses for trade fair promotion. A similar agreement was entered into with Udine e Gorizia Fiere.

Intesa Sanpaolo Private Banking

In 2010 Intesa Sanpaolo Private Banking achieved important results in terms of innovation of its offerings, efficacy of marketing measures and development of synergies with other markets.
Offerings for customers were expanded through the launch of the "Private Top" contract, which allows customers access to an integrated platform of banking and investment services, including Securities Lending, effective February 2011, for a set monthly fee. In parallel, a Private Advisory service is being launched to allow high-net-worth customers to obtain personalised advice.
As part of the broader "*Progetto Risparmio*" (Savings Project) launched by the Parent Company with the aim of strengthening the Group's position in the asset management sector, the Group has created a new adequacy assessment model based on a more accurate representation of assets, according to a need-based scheme, and on refining the process of identifying the customer's goals in order to determine the related holding period more precisely.
Marketing in 2010 focused on asset management products and, in particular, individual portfolio management schemes, which achieved strong results in terms of net inflows, as well as placing bonds issued by the Group and major third party issuers. Work in relation to certificates, developed in collaboration with Banca IMI, focused on searching for innovative formulae and particular underlyings.
In addition, initiatives aimed at developing synergies with the retail segment of Banca dei Territori and exploiting potential new business opportunities for the Group, especially in the SME and Mid and Large Corporate segments, met with considerable success.
With regard to the optimisation of the distribution structure and service model, the process of integrating the Group's private banking networks was completed with the contribution to Intesa Sanpaolo Private Banking of the private banking units of Banca CR Firenze and Banca di Trento e Bolzano. Network rationalisation measures aimed at reinforcing private banking coverage continued in parallel.
In 2010 Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 143 million euro, up 34.9% compared to 2009, as a result of the growth in revenues (+16.7%) driven by net fee and commission income (+25.5%).

Product companies

In 2010 Mediocredito Italiano, confirming its role in providing support to the production system, granted a total of 3.1 billion euro in new loans, marking an increase of 18% compared to the previous year. The transactions channelled through Intesa Sanpaolo networks represented 97% of the total amount disbursed. In its outsourced analysis on behalf of Group networks, Mediocredito Italiano granted 169 approvals (+41% compared to 2009) for more than 1 billion euro (+36%). Overall business in 2010 (direct and outsourced) came to 4.1 billion euro, up 22% compared to 2009.
Mediocredito Italiano reinforced its coverage of specialised sectors with 819 million euro in loans (265 million euro in 2009), of which 608 million euro was lent to the Energy sector, and 530 million euro in approvals (of which 316 million euro was related to the Energy sector). In 2010 an intensive programme of local business development was implemented, with events held at all the branches of Mediocredito and the Regional Governance Centres of the Banca dei Territori. A specific campaign was launched dedicated to financing innovation to boost commercial operations in this sector. Significant amounts of loans were disbursed to fund investments in renewable energy generation installations, especially photovoltaic, stimulated by the particularly favourable public incentive system.

In 2010 Mediocredito Italiano reported an operating margin of 162 million euro, down compared to the previous year (-3.3%), primarily owing to lower net interest income. In 2009 the operating margin had benefited from the greater responsiveness of the cost of funding compared to the yield on loans in an environment of decreasing interest rates. This comparison has been made on a like-for-like basis, by eliminating the dividend received from Leasint (57 million euro), a subsidiary until 31 December 2009, from the results for 2009.

Consumer credit activities are carried out through Moneta and Neos Finance. In 2010 a total of 1.9 billion euro in loans were disbursed by Moneta, up 14.1% compared to 2009. In detail, the Personal Loans segment recorded an increase in volumes of 23%, owing in part to the promotional campaigns launched during the year. By contrast, there were declines in Credit Cards (-27%) and Assignment of One-Fifth of Pension/Salary (-17.3%). Moneta's operating margin stood at 131 million euro, up 22.4% (+14.6% if the dividends collected from the subsidiary Setefi are excluded from both periods).
Neos Finance closed 2010 with a total amount financed of 1.9 billion euro, up approximately 1% compared to 2009. The Loans segment (car, special-purpose loans, personal loans) represents 67.8% of the company's operations. In 2010 the volume of loans disbursed came to 1,271 million euro (1,296 million euro in 2009), down 2%. Attention should be drawn to the assignment of one-fifth of pension/salary area, which in 2010 reported disbursements of 328 million euro (+17.3%). In the Leasing segment, disbursements were 230 million euro compared to 227 million euro in 2009. Neos Finance's operating margin came to 89 million euro, down 16.2%. The company closed 2010 with a decline in net income due to greater adjustments to loans and provisions for risks and charges.

Setefi, which specialises in managing electronic payment systems and is wholly owned by Moneta, recorded a significant increase in operating margin in 2010 compared to 2009, up from 96 million euro, net of non-recurring components, to 146 million euro, linked to the increase in operations in terms of credit cards issued, transaction volumes and the number of POS installed.

Banca Prossima

Banca Prossima operates in the non-profit sector through 53 local branches and 125 specialists distributed throughout Italy. In 2010 the Bank continued to acquire new customers for the Group within the non-profit world. In order to further reinforce its role as the bank of choice for the non-profit sector, new products, services and initiatives aimed exclusively at non-profit firms were created, including savings certificates consisting of deposits on current accounts or savings accounts fixed for periods of up to 18 months that provide a greater yield for customers' surplus liquidity. The "FRI Lab" was also launched, a consultancy service that allows customer organisations to improve the effectiveness and efficiency of their fund raising projects. "Tutto 5x1.000 – campagna", a loan designed to fund marketing and communications campaigns for the raising of funds from "cinque per mille" (five per thousand) income tax allocations, has been available since beginning of 2010. Also, through the Previmedical Card, people working within non-profit organisations can enjoy preferential access to accredited healthcare facilities and dental practices, as well as a dedicated telephone advice service. Lines of financing devoted to capitalising and reinforcing the capital positions of non-profit organisations have been made available through the "Ricapitalizzazione Più" service. The "San Martino" project, devoted to large religious organisations and aimed at optimising their relationships with the Bank to generate greater social value, was launched. A preview was also given of the "Terzo Valore" platform, which will provide non-profit organisations access to innovative funding instruments. Lastly, late in the year Banca Prossima worked to develop products marketed in January 2011, including "Conto Prossima Menù", a line of current accounts customised to suit the needs of non-profit organisations, and "Prossima Stipendi", a solution that allows cooperatives and socially-oriented enterprises to receive advances on invoices issued to the Public Administration.

Insurance and Pension companies

As part of a project approved in 2009 aimed at rationalising the Group's bancassurance activities, on 29 July 2010, Fideuram Vita, the company dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group, was removed from EurizonVita's scope of consolidation following the sale of the investment to Intesa Sanpaolo (which acquired 80.01% of the capital) and Banca Fideuram (which holds the remaining 19.99%) and included under the scope of Banca Fideuram Business Unit. Note that the figures presented below do not include the results of Fideuram Vita.
In 2010 EurizonVita reported income before tax from continuing operations of 242 million euro, up sharply on the 139 million euro in the previous year, owing to the positive performance of insurance business, attributable to the revision of the methods used to calculate technical reserves and financial management of traditional products and assets. The insurance policies portfolio amounted to 27,408 million euro at the end of December 2010, including 13,343 million euro from financial unit- and index-linked policies. In 2010 EurizonVita recorded gross life premiums written (for both insurance products and policies with investment content) of 6,418 million euro, up 15.8% on the previous year. New life business amounted to 6,122 million euro compared to 5,175 million euro for 2009.
The operating margin of Sud Polo Vita amounted to 41 million euro, essentially stable compared to the previous year: the decrease in income from the insurance business attributable to the deterioration of financial management was offset by cost savings. New business increased by approximately 50% compared to the level achieved in 2009.
Centrovita Assicurazioni reported income before tax from continuing operations of 29 million euro, down on the previous year (-11.8%), due to the poor performance of financial management attributable to securities valuation losses.
Intesa Vita (consolidated on a line-by-line basis at the level of both the balance sheet and income statement) earned income before tax from continuing operations of 113 million euro, down 7.9% compared to 2009 owing to the decrease in income from the insurance business, which was negatively impacted by items of a financial nature.
At 31 December, the assets managed by Intesa Sanpaolo Previdenza (formerly Intesa Previdenza) came to 1,314 million euro, of which 1,097 million euro consisted of open-ended funds (up 10.8% compared to 2009) and 217 million euro of closed-ended

funds (down 73.7%). The change in closed-ended funds is attributable to the decrease in management mandates granted by pension funds devoted to the Intesa Sanpaolo Group's employees, which were largely transferred to Eurizon Capital.
At the end of 2010, Intesa Previdenza had over 246,000 pension positions under management, largely attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes	
			amount	%
Net interest income	1,977	2,119	-142	-6.7
Dividends and profits (losses) on investments carried at equity	-29	-46	-17	-37.0
Net fee and commission income	968	925	43	4.6
Profits (Losses) on trading	557	634	-77	-12.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	39	45	-6	-13.3
Operating income	**3,512**	**3,677**	**-165**	**-4.5**
Personnel expenses	-391	-392	-1	-0.3
Other administrative expenses	-490	-501	-11	-2.2
Adjustments to property, equipment and intangible assets	-7	-9	-2	-22.2
Operating costs	**-888**	**-902**	**-14**	**-1.6**
Operating margin	**2,624**	**2,775**	**-151**	**-5.4**
Goodwill impairment	-	-2	-2	
Net provisions for risks and charges	-15	-6	9	
Net adjustments to loans	-423	-1,012	-589	-58.2
Net impairment losses on other assets	-19	-61	-42	-68.9
Profits (Losses) on investments held to maturity and on other investments	12	72	-60	-83.3
Income (Loss) before tax from continuing operations	**2,179**	**1,766**	**413**	**23.4**
Taxes on income from continuing operations	-754	-492	262	53.3
Merger and restructuring-related charges (net of tax)	-7	-12	-5	-41.7
Effect of purchase price allocation (net of tax)	-2	-	2	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**1,416**	**1,262**	**154**	**12.2**
Allocated capital	7,469	8,020	-551	-6.9
Profitability ratios (%)				
Cost / Income ratio	25.3	24.5	0.8	3.3
ROE	19.0	15.7	3.2	20.5
EVA® (millions of euro)	661	469	192	40.9

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Loans to customers	111,108	107,616	3,492	3.2
Direct customer deposits	95,150	94,900	250	0.3
of which: due to customers	*33,451*	*31,650*	*1,801*	*5.7*
securities issued	*60,426*	*60,025*	*401*	*0.7*
financial liabilities designated at fair value through profit and loss	*1,273*	*3,225*	*-1,952*	*-60.5*

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

In 2010 the Corporate and Investment Banking Division earned 3,512 million euro in operating income (representing 21% of the Group’s consolidated figure), down on the same period of 2009 (-4.5%). This result was attributable to the trend in net interest income and trading results, only partly offset by the strong performance of fee and commission income. In detail, net interest income came to 1,977 million euro, down 6.7%, chiefly due to the decrease in average loan volumes. The decrease in the interest margin was also partly reduced by the positive contribution from the corporate finance services provided by Banca IMI as a result of the increased interest from trading and the benefits of active management in the finance and capital management segment. Net fee and commission income amounted to 968 million euro, up 4.6%, attributable to the development of the commercial banking segment, owing in particular to the greater revenues of the credit line and guarantee segment, developed especially on Italian and international corporate relationships. Investment banking business was down, on the other hand, mainly as a reflection of the comparison against significant transactions carried out in the previous year. Profit on trading, amounting to 557 million euro, was down 12.1% on 2009, due to the lower contribution from the activities in Banca IMI's capital markets business area. The decrease in operating costs of 1.6% to 888 million euro reflects the effective cost-containment policy. The cost/income ratio of 25.3%, was up 0.8 percentage points as a result of the decrease in revenues. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,624 million euro, decreased 5.4%. By contrast, income before taxes from continuing operations was 2,179 million euro, up 23.4%, benefiting from a significant decrease in adjustments to loans (-589 million euro), confirming the effective management of the loan portfolio structure and careful risk management. Lastly, net income, which amounted to 1,416 million euro, was up 12.2% on 2009.

At the quarterly level, the fourth quarter of 2010 showed an increase in operating income compared to the third quarter (+22.5%) due to the significant rise in net fee and commission income and profits on trading. Operating costs increased slightly. The performance of revenues and costs resulted in an increase in operating margin (+31.3%) and net income (+37%).

The Division absorbed 35% of the Group’s capital, essentially stable compared to 2009. Capital came to 7,469 million euro and was down: the decrease is attributable to lower credit risks associated with loans to mid-corporate and large and international corporate borrowers. The sector's performance, along with lower amount of capital absorption, was reflected in an increase in ROE, which rose from 15.7% to 19%. EVA® came to 661 million euro, up significantly on the previous year.

The Division’s intermediated volumes showed growth compared to the end of December 2009 (+1.8%). This trend was the result of a strong performance by loans to customers (+3.2%) owing to the resumption of disbursements by Italian and international corporate customers, the significant increase in the loans of leasing and factoring product companies and greater repurchase agreement transactions by Banca IMI with institutional operators and financial intermediaries. Direct customer deposits remained essentially stable (+0.3%), benefiting from the increased repurchase agreement transactions by Banca IMI.

Business	Corporate and investment banking, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations
Organisational structure	
Large & International Corporate	The Department is charged with managing relationships with Italian and international large corporate customers with subsidiaries in Italy through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets
Mid Corporate	The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Business Internationalisation Unit	The Department is responsible for international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade serves
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, mainly Italian (local custody).
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-long term investments (of an institutional and development nature with a business logic), of privaty equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	Responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary 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 is overseen by Mediofactoring and leasing by the company Leasint and Centro Leasing
Distribution structure	It draws on 54 domestic branches. At the international level, the Corporate and Investment Banking Division operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking activity

Large & International Corporate and Mid Corporate

In 2010, in a scenario characterised by a decrease in loans granted at the industry level, Intesa Sanpaolo favoured both short-term facilities, for which the Group's level of use exceeded the industry average, and medium-/long-term facilities, continuing to focus on long-term projects of greater scope. The tendency for large and international corporate customers to reduce their use of lines of credit is attributable to the signs of an economic recovery that have allowed them to draw on alternative sources of financing, such as the launch of new bond issues, thereby effectively limiting their need to use bank credit. For mid corporate customers, the reduction in the lines used also coincided with an average improvement in the quality of the portfolio, the result of a company policy of withdrawal from higher risk positions, with a view to value creation over the long term. The growth of short-term lines of credit (commercial and financial) is an indicator of the preference for our Group shown by corporate firms, the result of established relationships and a constant, pro-active focus on the customer. For mid-corporate customers, this trend is clearest for the international component, where the increase in the level of use was considerable, owing in part to the implementation of the Division project that fosters internalisation in terms of both operational support for the customer and greater credit capacity. A constant attention to risk and balanced loan development policy allowed for a stable share of wallet, with particularly strong performances in the large foreign multinationals segment. In 2010 a total of 67 structured finance and investment banking transactions were undertaken in the mid-corporate segment compared to 60 in 2009. The increase in transactions signals a recovery of extraordinary corporate finance activity, especially concentrated in structured finance and M&A transactions.
The initiatives launched during the year included: the inception, completion and extension to the entire Mid Corporate Department of a pilot programme to assess the competitive positions of firms with the aim of allowing managers to use a qualitative and quantitative analysis model to identify the marketing actions most appropriate to each company; and the implementation of the “Start-Up Initiative”, the first platform in Italy devoted to companies that innovate, aimed at bringing them into contact with those who provide financing, thereby fostering investments and business combinations and reducing the costs and timeframe of innovative research and development processes. A total of five initiatives focused on various areas of technological innovation were launched in relation to the above platform in 2010. The plans for the development of corporate products have been established and set, with the aim of rationalising and facilitating the implementation of commercial projects by formulating specific product plans and involving all the relevant units and product companies. The project for the coordination and integration of the Division’s customer relationship management and customer interaction instruments also continued, with a view to improving overall commercial efficiency and the level of customer service. This project also includes a new instrument currently being launched for the management and monitoring of sales campaigns. Other initiatives include the launch of the Technology Opportunity Proposal (T.O.P.) project aimed at providing large and international customers with an interest in investing in innovative technology with opportunities to invest in growing companies, as well as the launch of the Technology Transfer Advisory (T.T.A.) project, which seeks to foster the meeting of technological supply and demand by drawing on the collaboration of a technological partner with extensive experience in the field of technology brokerage at the international level. In late October 2010, a pilot marketing programme was launched, aimed at a selection of prestigious mid-corporate customers operating in various product segments in the food industry. The programme is set to conclude in April 2011.
In 2010 the cooperative project between the Corporate and Investment Banking Division and Banca dei Territori Division also continued with the aim of sharing offerings that foster cross-selling and up-selling towards the business segment in factoring, investment banking, leasing, trade finance and capital markets. Lastly, the Financial Value Chain project has been developed as part of the Payment Systems Assessment Programme. This project will have a significant impact on corporate customers by enabling the development of the range of cash-management and trade-finance products and services on a horizontal basis, with close integration at the inter-Division and international levels, and with consequent benefits in terms of relationship intensity and the full use of the Bank’s international network.

Business Internationalisation Unit

The Business Internationalisation Unit directly covers 28 countries through 12 wholesale branches, 16 representative offices, 2 subsidiary banks and one advisory firm. In 2010 international coverage was pursued by fostering the internationalisation of Italian firms and building relationships with major multinationals through a model for managing international network customers that is consistent throughout the Group’s international network. The launch of two projects continued during the year: the internationalisation and the international account management strategies. The first is aimed at achieving entry into international markets and pursues the objective of identifying, for each customer segment, the potentially most interesting countries from a commercial standpoint, the most appropriate products, the most easily reachable customers, the priority sectors and the levels of ambition for each geographical area. The second, implemented in collaboration with the International Subsidiary Banks, involves the development of a commercial model that includes both the introduction of operating centres within the International Subsidiary Banks and the creation of an offer range for the subsidiaries of corporate firms competing in international markets. Following the success of the roll-out to corporate customers, a pilot project is being launched for the financial institutions customer base (emerging markets) of Banca Intesa Russia. Lastly, the SEPA, PSD, ISPay.Hub and Financial Value Chain projects continued as part of the Payment Systems Assessment Programme.
The Department is responsible for:
- Société Européenne de Banque, which in 2010 reported net income of 98 million euro, up slightly (+0.8%) compared to 2009; the decrease in revenues (-2%), primarily attributable to the deterioration of the profits on trading, was more than offset by the significant cost savings (-10.4%) and the decrease in adjustments to loans;
- Intesa Sanpaolo Bank Ireland, which closed 2010 with a net income of 111 million euro, up 30.2% compared to 2009, due to the increase in operating income (+24.7%), driven by the profits on trading and net interest income, and to lower adjustments to loans.

Financial Institutions

In 2010 the marketing efforts of the Financial Institutions Department were focused on: safeguarding loans in countries under the greatest pressure; maintaining stable profitability on maturing transactions; selectively identifying reliable new counterparties; and optimising existing loans in both traditional form and in the form of bond investments with a view towards cross-selling.
On the marketing front, campaigns were launched for the development of a number of capital market products (including Market Hubs, Rates and Solutions) through the identification of concrete business opportunities.
Within the Transaction Services segment, the process of consolidating cash-clearing operations with the Parent Company and the acquisition of new customers through the offer of services "at value" continued. This was accompanied by actions focused on the migration of the customers transferred to State Street and the development of collection and payment services offered on an outsourcing basis to the new bank and its customers. New projects are being considered for the development of the business and products in the near-banking sector with a view towards expanding the customer base, such as developing a new product devoted to the insurance and pension sector, aimed at providing a more comprehensive and attractive range of services. Additionally, new services are being developed for bank customers to expand the range of products on offer at Italian and international level, and new agreements have been reached with important insurance groups in order to ensure uniform commercial and contractual treatment of customers. In international pensions, a set-off agreement was signed and French pensions continued to be successfully migrated to SEPA. Lastly, the Bank was awarded the tender issued by the European Commission for the opening of accounts in euro for depositing sums collected by the Commission by way of antitrust fines levied in 2009.
With regard to the securities services customers of the local custody department, made up of non-resident banks, central depositories handling Italian securities and certain brokers that use Intesa Sanpaolo for services for international and Italian securities, 2010 was primarily characterised by activities leading up to the sale of the securities services business to ensure the efficient transfer of customers to State Street. As for the remaining securities services customers performance continued to be strong in terms of volumes, the value of assets under custody and the acquisition of new customers in the area of triparty clearing. Marketing initiatives focused on cross-selling activity with Banca IMI to acquire integrated execution and custody mandates. For primary customers, work is being carried out on the commercial structure and coverage model and measures have also been implemented aimed at strengthening the Bank's position in the area of local custody services. The Bank also continued to oversee the operations of the agent banks that provide services on international securities as part of the network management, also in view of the strategic transaction with State Street.
Within the area of trade export finance, the Department continued to coordinate with Banca IMI in relation to the emerging markets financial institutions customer base to be developed, and the following transactions were closed: Papua Nuova Guinea Liquefied Natural Gas, involving the construction of an integrated natural gas chain in Papua Nuova Guinea; Nord Stream, to build a submarine gas pipeline linking Russia and Germany; BP Angola and BP Caspian, a pre-export finance transaction; and VTB/SIBUR, a multi-source transaction from Italy and Germany involving the construction of a petrochemical plant in Russia. In addition, the Bank participated in a transaction in the aerospace industry from France to the United States and pre-export finance transactions in Egypt and Russia. Lastly, the Department completed preparations for the launch of the "Structured Commodity Finance" product and consolidated its role as a cross-sector production unit with the increase in the use of Polizza Sace's "Voltura" product.

Merchant Banking

In 2010 Intesa Sanpaolo, through its Merchant Banking Department, completed important investment initiatives with an approach of selectivity and careful risk assessment. In detail, it coordinated with the Ministry of the Economy and Finance, ABI (the Italian Banking Association), Confindustria, Cassa Depositi e Prestiti, UniCredit and Banca Monte dei Paschi di Siena on a project to create a financial support tool for SMEs, with a commitment to contributing quotas to the "Fondo Italiano di Investimento" (Italian Investment Fund). The Fund intends to foster SME capitalisation in order to facilitate access to credit and support medium- and long-term development projects, as well as to provide incentives for business combination processes that favour the creation of companies of greater scope, in a position to extend their competitiveness in their industries of operation and increasingly aim for international markets.
The Department also elected to participate in the project promoted and operated by Cassa Depositi e Prestiti in the field of social construction work by subscribing for quotas of the "Fondo Investimenti per l'Abitare" (Housing Investment Fund) along with Unicredit, Generali, Allianz, Cassa Depositi e Prestiti, Italian Association of Foundations and Savings Banks (ACRI) and the Italian Banking Association (ABI). The Fund operates in the private social housing sector with the aim of increasing the supply of housing in Italy, supporting and complementing central government and local authority policies in the sector.
Through its subsidiary IMI Investimenti, the Bank participated in the production of Paolo Sorrentino's latest film, *This Must be the Place*. The transaction, the first of its kind in Italy, was carried out through a partnership agreement between Medusa Film, Lucky Red and Indigo Film, on the one hand, and IMI Investimenti, on the other. The investment, amounting to 2.5 million euro, forms part of a wider system of support to the Italian cinematographic industry and is an implementation of the recent legislation that provides tax benefits to investors from outside the sector who contribute funds for the production of a cinematographic work (an "external tax credit").
In 2010 private-equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, expanded to include a new fund. In addition, the first stage of the fund-raising activity of Atlante Private Equity, which operates throughout Italy, was completed, aimed at continuing and consolidating the positive experience of the regional funds launched in previous years now undergoing divestment. The subscription phase will continue until May 2011.

Structured Finance

During the year, in the leverage and acquisition finance segment, Banca IMI completed the structuring and disbursement of credit facilities to Coin Group, Prime European Therapeuticals, Kiko, Octo Telematics S.p.A., the private-equity fund KKR, Italmatch Chemicals S.p.A. (Italy), the asset-management companies Anima Sgr and Prima Sgr (Italy) and the groups Arena, Teamsystem, Republic (Retail) Limited, Histoire d'Or, Marc Orian, National Hearing Care Pty Ltd (Australia) and Office Holdings Limited. In collaboration with the relevant relations units of the Corporate and Investment Banking Division, Banca IMI also contributed to the origination and structuring of credit facilities for borrowers with high financial leverage in relation to corporate acquisitions, leveraged buyouts or medium-term refinancing that are expected to be carried out in 2011.
In project and industry specialised lending, the bank followed a selective approach in the assessment of transactions with the aim of establishing itself as a regional player whilst still maintaining a strong position in the Italian market. In 2010 credit facilities were completed for: Planta de Regasificacion de Sagunto, Exeltium, Dhuruma Electricity Company, Escal UGS, Gas Plus SpA, Falck Renewables Plc, Energie Rinnovabili Toscana – ERT Srl, Geopower Sardegna Srl and 3Sun. Mandates were acquired for credit facilities intended for the construction of photovoltaic plants in Italy. Credit facilities were also provided to Wind Telecomunicazioni, in the telecommunications sector, and F2i Sistema Aeroportuale Campano S.p.A., Società di Gestione Servizi Aeroporti Campani S.p.A. and Synerail, in the infrastructure sector. Transactions in non-European countries included: China Wind Power Project, PT Bukit Makmur Mandiri Utama (BUMA), Bharti Airtel, New Royal Adelaide Hospital, Bayonne Energy Center LLC (sponsors: Hess and Arclight), ODN I GmbH (sponsor: Odebrecht Oil and Gas), Caithness Shepherds Flat LLC (sponsors: GE and Caithness Energy) and Mirant Marsh Landing LLC (sponsor: GenOn).
In the real-estate sector, credit facilities were provided in support of the acquisition of an area located in Casalboccone (Roma), of building areas in the Bicocca district in Milano by the Edoardo Caltagirone Group and of a building designated for hotel use in Milano by Beni Stabili, and to the funds Anastasia, Monteverdi, HB (Fondo Tritone) Cloe, Immobiliare Venti M, Prelios and Fintecna Immobiliare. In addition, advisory services were provided to several real-estate companies with the aim of optimising their assets and, specifically, to Franza for two luxury hotels in Taormina and Redigaffi for the real-estate fund Fondo Due, Anastasia, Fondo Venti M and Pirelli Real Estate (Prelios).
In the syndication business, the bank acted as global coordinator and/or mandated lead arranger and/or bookrunner for companies such as Farmafactoring, Lottomatica, Pirelli, Prada, Prysmian (Forward Start Agreement), Amplifon, Arena, TeamSystem, Wind, Telecom Italia, Enel, Fiat Industrial, Finmeccanica and Italcementi. The bank also continued to acquire mandates for international transactions on behalf of companies such as ABB Asea Brown Bovery, Anheuser-Busch InBev, BHP Billiton, Carrefour, Compagnie de Saint Gobain, Close Brothers, Groupe Auchan SA, Electricite de France, E.ON, Iberdrola, MAN, Metro, RWE, Sanofi Aventis, Telefonica and Xstrata.
In securitisation activities, the bank structured and placed on the conduit platform the following securitisation transactions in its capacity as arranger: Gruppo ArcelorMittal, Comifin SpA, GE Capital Servizi Finanziari, FGA Bank Germany, residential mortgages for Cassa di Risparmio di Asti, covered bonds for Banco Popolare, public sector covered bond for BIIS and, lastly, hedging as part of the securitisation undertaken by Banca di Bologna.
Finally, in the loan agency segment, mandates were acquired for loans to: Telco, Prime European Therapeutical (Euticals), Bonfiglioli Riduttori, Kiko, Prysmian, Enel, Premuda, Beni Stabili Esedra, Tritone, Octo Telematics, Solar Life Energy, Cafima / Synergas, Pirelli RE Fondo Monteverdi, Pirelli RE Fondo Anastasia, Telesystem SrlFaro, Comifar, Marr, TeamSystem, L.G.R. di navigazione, Cerveteri Energia, Gasplus, Sesto Immobiliare, Amplifon, Tosinvest, Prelios, Manifatture Milano, Compagnia Gestione Finanziaria, Asset Management Holding, Granarolo and Pirelli Tyre.

Proprietary Trading

The year was characterised by a positive trend that became especially clear late in the year. In detail, structured credit products benefited from market conditions, improving the profit contribution on funded positions (European/US ABSs/CDOs) and unfunded positions (including unfunded super senior CDOs). From an asset standpoint, risk exposure (taking into account write-downs and write-backs) was essentially stable for both securities and packages reclassified under financial assets held for trading and for assets reclassified under loans.
The hedge fund portfolio showed movement through both the management of pre-existing units and new acquisitions: the hedge fund portfolio as at 31 December 2010 totalled 814 million euro, compared to the 740 million euro recorded at the end of December 2009.
The segment's positive impact on the income statement is primarily to be attributed to those types of deleveraging transactions aimed at improving the Company's capital ratios. In detail, these include restructurings and recapitalisations of banking and industrial firms in the USA and Europe, bankruptcy procedures and liquidations. Other positive contributions emerged from the positioning of funds in extraction industries for precious and common metals.

Investment Banking, Capital Market and Primary Markets

In 2010 Banca IMI acted as joint global coordinator and joint bookrunner for the largest European IPO of the year, Enel Green Power (2.5 billion euro). It was responsible for capital increases by Safilo and Molmed and served as sponsor in the listing of Fiat Industrial. In secondary-market placements, it acted as joint bookrunner for accelerated bookbuilding by Prysmian and Amplifon. It also coordinated the public takeover bids for Fastweb, Permasteelisa and Beauty Healthcare and the listing of Rosetti Marino on the MAC (Alternative Capital Market). At the international level, it played important roles as co-bookrunner for the Deutsche Bank capital increase and as joint bookrunner for the Telecinco capital increase, and acted as underwriter for the capital increases by National Grid, National Bank of Greece and Standard Chartered. In placements, Banca IMI participated in the secondary offering syndicate for Banco do Brasil, acted as joint bookrunner for accelerated bookbuilding by Deutz and served as co-lead manager for accelerated bookbuilding by Axel Springer.

In the debt capital market segment, a total of 900 billion euro in new bonds was issued in Europe in 2010. Of these, 71 billion euro was in Europe, a decline of 30% compared to 2009. Banca IMI remained the Italian leader, with 28 transactions closed for domestic issuers. In the especially active new corporate issues segment, the bank acted as bookrunner for ENI, Prysmian, Italcementi, Edison, Acea, Telecom Italia, Mediaset, Atlantia, Luxottica, Saras and Impregilo. Banca IMI also increased its presence on the international market, where it served as bookrunner for issues by Deutsche Bahn, AB Inbev, PPR, Vodafone, General Electric and Auchan. The bank was chosen to assist several important Italian firms as joint bookrunner in their debuts on the public euro debt market. In the high-yield market, it acted as bookrunner for the issue by Wind of two tranches in euro and dollars and the issue by Seat Pagine Gialle and coordinated the placement syndicate for two tranches (fixed and floating rate) for the public offering of ENEL bonds placed with the public in Italy, France, Germany and Belgium. In the financial institutions segment, Banca IMI confirmed its leadership in the placement of bonds issued by Italian banks, further improving its positioning with European customers. In Italy, it acted as bookrunner for the eurobonds issued by Ubi Banca and Banca delle Marche and the senior unsecured bonds issued by Intesa Sanpaolo. In the subordinated notes segment, Banca IMI issued as joint lead manager and bookrunner for Intesa Sanpaolo in its first tier 1 hybrid issue using an innovative Perp-NC2016 structure for 1 billion euro and a ten-year lower tier 2 issue for 1.5 billion euro. The bank assisted international customers by acting as joint lead manager and bookrunner for issues by LeasePlan, Nordea Bank, Banque PSA Finance and RCI Banque. The bank also served as joint-lead manager and bookrunner for covered bonds issued by Société Générale, BNP Paribas, Banque Populaires, The Royal Bank of Scotland and Unicredit. In retail placements, Banca IMI was responsible for the placement of bonds issued by leading international banks such as DNB Nor, Nordea Bank, Commonwealth Bank of Australia, HSBC and Danske Bank. For issuers in the sovereign, supranational and agencies segment, the bank played an important role in distributing the Italian Republic's debt, ranking as the number-one bank in terms of securities placed by syndicate in 2010. Of the six transactions handled, particular importance should be attached to the inaugural issues of the new type of treasury bonds, CCTeu, indexed on the Euribor, which will gradually replace the traditional CCT linked to BOT yields, and the issue of the new 15-year BTP benchmark security. In addition, support for the Italian Republic's funding strategy was provided by conducting 500 million euro in private placements with institutional investors. In the international area, the bank acted as joint bookrunner for the issue of 2 billion euro in 5-year floating rate notes by the Greek Republic, while in the sub-sovereign segment it served as joint bookrunner for the issue of 10-year bonds by Région Ile de France and joint lead manager for the new 7-year notes issued by Cassa del Trentino. Finally, turning to alternative investment products aimed at institutional customers, Banca IMI acted as financial advisor and sole placement agent for the placement of quotas of the real-estate mutual fund Venti M, sponsored by the Metro Group, and served as co-placement agent for quotas of the real-estate fund Anastasia managed by Prelios SGR.
During the year, while showing signs of improvement in the second half of the year, the volumes of M&A transactions completed were lower on the whole than in the previous year, by 14% in Europe and 24% in Italy. In this scenario, the bank nevertheless achieved positive results, closing 30 transactions worth a total of approximately 7 billion euro during the year. Business was especially strong in the energy and utilities sector, where it assisted: Iride in the merger with Enìa; Enel in the formation of a joint venture to operate hydroelectric power plants in the province of Bolzano; Gas Plus in the acquisition of Padania Energia from Eni; the supervisory board of A2A in analysing the strategic options for the investments held in Edison and Edipower; F2i in the partnership with Iride for the development of Mediterranea delle Acque’s water operations; and BBA Airports (Ferrovial Group) in its acquisition of Gesac (the company that manages Naples airport). In addition, the bank aided F2i and Axa in acquiring E.On Rete Gas Italia, set to be closed in the first quarter of 2011, and Eni in the process of selling Eni GTI and the investment in Transitgas. The bank also assisted MetaSystem Group in the sale of a majority interest in Octo Telematics to the fund Charme, Finaval Holding in acquiring Perazzoli Drilling, Safilo in the restructuring process concluded by the acquisition of an investment by in the Dutch group HAL, Fila in the acquisition of an investment by a new financial investor, Swisscom in the delisting transaction for Fastweb, TI Sparkle in the sale of the parent company Elettra, HG Capital in the acquisition of Teamsystem, Esaote and Sigma Tau in the acquisition of the pharmaceutical operations of the Enzon Pharmaceuticals group, the Salini Group in the purchase of 60% of the Todini group, FIAT in the spin-off of Fiat Industrial completed in early 2011 and Pai in the process of acquiring 50% of The Nuance Group, completed in February 2011. In the financial institutions sector, support was provided to Fondazione Cassa di Risparmio di Lucca in the sale of the investment in Cassa di Risparmio di Lucca to Banco Popolare and to TERCAS (Cassa di Risparmio della Provincia di Teramo) in the acquisition of CARIPE (Cassa di Risparmio di Pescara e Loreto Aprutino). Lastly, Banca IMI advised the Parent Company in the sale of its custodian bank assets to State Street Corp., in addition to the sale of 96 branches and Cassa di Risparmio della Spezia to Crèdit Agricole.

Factoring and Leasing

Mediofactoring reported a turnover of 33.7 billion euro in 2010, a 24.7% increase on an annual basis, allowing it to remain the number-one domestic factoring provider by turnover. This performance was attributable to both with recourse (+34.7%) and without recourse transactions (+23.1%). The amount outstanding was up 25.6%; loans came to 8.4 billion euro, up 31.2% compared to the end of December 2009. The uptrend in business is also borne out by average volumes, which came to 5.4 billion euro in 2010, up 9.1% compared to the previous year. In terms of income statement figures, the operating margin for 2010, amounting to 129 million euro, was up 5.5% compared to 2009 as a result of the increase in operating income (+5.2%), which more than offset the rise in operating costs (+4.5%). Net income was 57 million euro, up by 20.1% compared to the previous year, benefiting from lower net adjustments to loans (-22.4% compared to the previous year).

Through Leasint and Centro Leasing, Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 17.9%, up from 17.3% in 2009.
In 2010 Leasint entered into 10,688 new contracts, for a total amount of 3,532 million euro (+11.2% compared to 2009), with an increase in the number of transactions completed of 4.2%. The composition of the portfolio was influenced by the considerable growth in Leasenergy, the product devoted to power generation attributable to the Instrumental and Property segments, which represent 34% of the total portfolio. Net of the development of Leasenergy, the automotive market remained stable (-0.7%), while there were declines in both moveable property (-7%) and real estate (-32%). Net income, as market conditions remained

difficult, amounted to 41 million euro, up 32.1% on 2009 due to the improvement in revenues (+4.6%), stable costs and lower adjustments to loans (-3.1%).
During the year, Centro Leasing, the Banca CR Firenze Group company included within the scope of the Corporate and Investment Banking Division since the beginning of 2010, achieved an operating margin up 6.2% benefiting from the significant cost savings (-18.9%), which more than offset the decrease in operating income (-1.5%). The company closed 2010 with a net loss of 44 million euro, compared to a net income of 4 million euro in 2009, due to greater adjustments to loans, more than twice the previous year's level.

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes amount	Changes %
Net interest income	280	368	-88	-23.9
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	69	42	27	64.3
Profits (Losses) on trading	-9	-14	-5	-35.7
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	3	-1	-33.3
Operating income	**342**	**399**	**-57**	**-14.3**
Personnel expenses	-38	-37	1	2.7
Other administrative expenses	-45	-44	1	2.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-83**	**-81**	**2**	**2.5**
Operating margin	**259**	**318**	**-59**	**-18.6**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-2	-2	
Net adjustments to loans	-44	-125	-81	-64.8
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**215**	**191**	**24**	**12.6**
Taxes on income from continuing operations	-74	-71	3	4.2
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-3	-4	-1	-25.0
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**138**	**116**	**22**	**19.0**
Allocated capital	1,022	996	26	2.6
Profitability ratios (%)				
Cost / Income ratio	24.3	20.3	4.0	19.7
ROE	13.5	11.6	1.9	15.9
EVA® (millions of euro)	40	21	19	90.5

(millions of euro)

	31.12.2010	31.12.2009	Changes amount	Changes %
Loans to customers	40,508	41,186	-678	-1.6
Direct customer deposits	5,757	6,461	-704	-10.9
of which: due to customers	*4,211*	*4,846*	*-635*	*-13.1*
securities issued	*1,546*	*1,615*	*-69*	*-4.3*

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

Public Finance's results in 2010 hat a higher net income than in 2009.
In detail, operating income amounted to 342 million euro, down 14.3% on 2009, due to the following factors: net interest income of 280 million euro, a fall of 23.9% following the contraction in spreads that in 2009 had benefited from the liquidity characteristics of assets in a scenario of a sharp decline in market rates; net fee and commission income of 69 million euro, up sharply (+64.3%) owing to the effect of growth in revenues from services and the structuring of project finance transactions; and losses on trading of 9 million euro compared to -14 million euro recognised in the previous year. The negative result of this latter aggregate may be attributed to the valuation effects of hedging activity and credit risk adjustment. Average loans to customers remained stable (-0.1%, including the securities component), driven by nearly 4 billion euro in new disbursements in 2010.
Operating costs were 83 million euro, up by 2.5% on the previous year. The cost/income ratio rose to 24.3% from 20.3% in 2009, mainly due to the fall in revenues. As a result of the above trends, operating margin was 259 million euro, down 18.6%. Net adjustments to loans were down considerably (-64.8%) due to the high basis of comparison in 2009, mostly in connection with a single position. Accordingly, income before tax from continuing operations amounted to 215 million euro, up 12.6% compared to the previous year. Lastly, at 138 million euro, net income recorded an increase of 19% compared to 2009.

Operating income rose by 25% in the fourth quarter compared to the third quarter due to the positive changes in all primary revenue components: the profits on trading (+16 million euro), net interest income (+5.5%) and net fee and commission income (+5.1%). By contrast, net income declined (-4%) owing to the increase in costs and greater adjustments to loans.
Capital allocated amounted to 1,022 million euro, up slightly on 2009, due to the increase in credit risk associated with the loan portfolio. ROE performed well, rising from 11.6% to 13.5%, due to the above trend in net income. EVA® came to 40 million euro, up significantly on the previous year.
With regard to the main balance sheet figures, loans to customers stood at 40,508 million euro, down slightly (-1.6%) on an annual basis, despite the new business acquired during the year, which resulted in disbursements of nearly 4 billion euro. Direct customer deposits amounted to 5,757 million euro, down 10.9%, primarily as a result of the lower cash balances of current accounts. Public Finance contributed to developing the reserve of allocable assets in support of the Group's liquidity position and also completed the placement in the Euromarket, in 2010, of a new issue of Covered Bonds, backed by public-sector loans, originated by Public Finance, in continuation of the issue programme initiated 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
Distribution structure	18 domestic branches and 3 representative offices abroad (Istanbul, London and Paris)

With the aim of supporting and promoting the development of large infrastructure projects in Italy, in 2010 Public Finance continued to advise on large motorway projects, such as the BreBeMi project (Brescia-Bergamo-Milano motorway), Pedemontana Lombarda, the Milano East outer ringroad and the Cremona-Mantova motorway, and granted loans for the execution of work on the Brescia-Verona-Vicenza-Padova motorway and the Umbria-Marche road system.
In support of healthcare services, universities and scientific research, Public Finance, in a pool with other banks, signed an agreement with SACE, the first of its kind in Italy, to factor receivables claimed by suppliers of the public healthcare system with the aim of fostering the efficiency of the healthcare system of the Campania Region. During the year, Public Finance factored without recourse receivables due to contracted healthcare facilities from the Local Healthcare Authorities of the Lazio Region, renewed a four-year agreement with the Regional Health Authority of Molise (ASREM) for the purchase without recourse of receivables due to pharmacists from the Regional Healthcare System, financed with a pool of other banks the renovation and redevelopment of the Spedali Civili complex in Brescia, Sardinia and Garbagnate (MI), and provided loans to clinics in the regions of Lazio and Emilia Romagna. To improve public services and utilities, financing was granted in a pool of other banks to Ferrovie dello Stato (national railways) to develop the Torino-Milano-Napoli high-speed line; leasing was used to finance the purchase of 23 railway coaches for use in public transport in Veneto and the provision of 456 new low-emissions buses to be used in public transport in Sardinia.
In the waste disposal sector, a loan was granted to Tutela Ambientale Sud Milanese to fund expansion of the Assago purification plant and build sewer networks; financing was provided for the construction of the new Bolzano waste-to-energy facility, which will serve the entire Alto Adige area; in addition, in order to improve access to credit by companies based in Lazio involved in collecting and disposing of urban waste, a project was launched to factor accounts receivable claimed by the region's companies from local municipalities and securitise the accounts receivable claimed by ENEL from municipalities and other government entities.
In the water sector, a loan was granted to Fondo Italiano per le Infrastrutture (F2i) to acquire an interest in Società Mediterranea delle Acque, which operates water service for the Municipality of Genova and 39 municipalities in the Genova area, and financing was also granted to Acquedotto Pugliese and SAI 8, the company that operates water service in the Province of Siracusa. In addition, in the energy field, loans were granted to Società Elettrica Altoatesina for the purchase of ENEL's distribution network and hydroelectric power plants from ENEL and Edison, and a loan was granted to Linea Group Holding, a multi-utility based in the Lombardia region, which operates in all the sectors of the energy, water and waste treatment segments, serving over 1 million inhabitants in approximately 250 municipalities in the provinces of Brescia, Cremona and Lodi.
Operations in the low environmental footprint alternative energy sector included the loan disbursed for the construction of a photovoltaic roof installation on the buildings of the Padova freight terminal, the most impressive such facility in Italy and one of the largest in the world in terms of output. In addition, the bank provided project financing for the construction of wind-power parks in Calabria, Campania and Molise and photovoltaic plants in Abruzzo, Marche and Sardinia.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities, including the Provinces of Pesaro and Urbino, Pavia, Brescia and Ancona and the Municipalities of Roma, Monza, Como, Venezia, Verona and Genova. In addition, in order to afford smaller municipalities access to credit under better conditions than they would obtain individually, an agreement was signed for local entities in the region of Emilia Romagna, allowing them to obtain loans at pre-determined rates and conditions. An agreement was signed with the

Municipality of Roma for the factoring without recourse of receivables claimed from the Municipality by social-service cooperatives, religious congregations and non-profit associations operating in the area. Support continued to be provided for the Città di Torino S.r.l. securitisation vehicle for the transaction aimed at rationalising and developing the entity's equity and real-estate portfolio with the aim of freeing up resources to be allocated to public purposes. Following the "anti-crisis law", an agreement was entered into to factor receivables due to suppliers of goods and services to the Province of Torino and with various local entities, including the Provinces of Treviso, Milano, Varese, Pavia, Alessandria, Imperia and Firenze.

Priority investment programmes for the country that benefit from government aid include the continuation of financing for suppliers of defence systems and loans for the Region of Umbria and the Region of Molise to fund reconstruction work following the 1997 and 2002 earthquakes.

Urban and local development programmes included financing for EUR for the construction of the new EUR Congress Centre in Roma and investments in the company's existing assets. To improve transport infrastructure, a loan was granted to SAGAT, which operates the Torino airport, and to the port authorities for Venezia and Gioia Tauro. The bank also underwrote a pool loan with other banks to redevelop and achieve compliance of the technological facilities in the tunnels of the road network of Lombardia.

In addition, the State Concession was signed by Porto Città and the Trieste Port Authority to assign redevelopment work on Trieste's historical port. Activity continued on mandates acquired to structure financing for various projects such as tourist ports and parking areas.

In the field of international public and infrastructure finance, disbursements continued for road, motorway and railway projects in various European countries: bonds issued by the Polish bank BGK were subscribed for in order to fund a programme to develop and modernise motorway infrastructure in Poland; loans were granted to the state-owned firms Hrvatske Ceste and Hrvatske Autoceste for the operation of the Croatian road and motorway network, and to ADIF (Administrador de Infraestructuras Ferroviarias), a fully state-owned Spanish entity responsible for building and operating the country's railway infrastructure.

In the water sector, a loan was granted to Abaqua (Agencia Balear del Agua y de la Calidad Ambiental), a Spanish firm that holds a government concession to provide integrated management of water service to the Autonomous Community of the Balearic Islands, and a bond issue was subscribed in favour of Edia (Empresa de Desenvolvimento e Infra-estruturas do Alqueva), which manages the water resources in the Portuguese region of Alqueva. With regard to education, the Bank acted as MLA to the programme to renovate and modernise academic infrastructure in the Belgian region of Flanders that will involve approximately 200 schools. In the utilities sector, various transactions were closed in Northern Europe, including: the loan to the Thüga group, which holds shares in 90 German municipality-owned companies, the German multi-utility Stadtwerke Muenchen, the Norwegian Hafslund and the Polish Polska Grupa Eneretyczna, both leaders of their domestic electrical power markets, and Apetra, a Belgian public company responsible for managing the country's strategic oil reserves. Lastly, loans were granted to various local Portuguese entities, such as Municipio de Lisboa, and Spanish local entities, such as Comunidad Autónoma de Murcia, Comunidad di Castilla La Mancha, Comunidad Foral de Navarra, Comunidad de Aragon, Generalitat Valenciana and Comunidad de Madrid.

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes amount	Changes %
Net interest income	1,665	1,447	218	15.1
Dividends and profits (losses) on investments carried at equity	15	11	4	36.4
Net fee and commission income	576	541	35	6.5
Profits (Losses) on trading	96	288	-192	-66.7
Income from insurance business	-	-	-	-
Other operating income (expenses)	-50	-32	18	56.3
Operating income	**2,302**	**2,255**	**47**	**2.1**
Personnel expenses	-584	-582	2	0.3
Other administrative expenses	-447	-430	17	4.0
Adjustments to property, equipment and intangible assets	-138	-137	1	0.7
Operating costs	**-1,169**	**-1,149**	**20**	**1.7**
Operating margin	**1,133**	**1,106**	**27**	**2.4**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	2	2	-	-
Net adjustments to loans	-589	-649	-60	-9.2
Net impairment losses on other assets	-19	-8	11	
Profits (Losses) on investments held to maturity and on other investments	5	3	2	66.7
Income (Loss) before tax from continuing operations	**532**	**454**	**78**	**17.2**
Taxes on income from continuing operations	-153	-83	70	84.3
Merger and restructuring-related charges (net of tax)	-1	-1	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**378**	**370**	**8**	**2.2**
Allocated capital	2,087	1,953	134	6.9
Profitability ratios (%)				
Cost / Income ratio	50.8	51.0	-0.2	-0.4
ROE	18.1	18.9	-0.8	-4.4
EVA® (millions of euro)	106	111	-5	-4.5

(millions of euro)

	31.12.2010	31.12.2009	Changes amount	Changes %
Loans to customers	30,926	29,644	1,282	4.3
Direct customer deposits	30,259	28,564	1,695	5.9
of which: due to customers	*27,457*	*26,694*	*763*	*2.9*
securities issued	*2,802*	*1,870*	*932*	*49.8*

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.
Effective the beginning of the year, the Division's scope includes the Russian bank ZAO Banca Intesa, previously classified to the Corporate and Investment Banking Division, which merged by incorporation with KMB Bank effective 11 January 2010 and changed its name to Banca Intesa Closed Joint Stock Company.
On 31 March the subsidiaries ISP Card and Centurion, which operate in the credit card business, were merged.
Banca CR Firenze Romania, the Banca CR Firenze Group company active in Romania and previously allocated to the Banca dei Territori Division, and Bank of Qingdao (measured at equity), were added to the scope of the International Subsidiary Banks Division.
The comparative figures have been restated in accordance with the new scope of the division.

In 2010, the Division's operating income was up by 2.1% on 2009 to 2,302 million euro. A detailed analysis shows that net interest income came to 1,665 million euro, an increase on the 1,447 million euro in 2009, owing chiefly to CIB Bank (+123

million euro), Banca Intesa Russia (+25 million euro) Bank of Alexandria (+23 million euro) and Privredna Banka Zagreb (+20 million euro). Net fee and commission income reported an increase of 6.5%, attributable in particular to Bank of Alexandria (+13 million euro), Privredna Banka Zagreb (+12 million euro) and VUB Banka (+11 million euro). Conversely, profits on trading, amounting to 96 million euro, fell compared to 2009 (-66.7%), primarily due to the lower contributions from CIB Bank (-147 million euro) and Privredna Banka Zagreb (-28 million euro).
Operating costs were 1,169 million euro, up by 1.7% on 2009. As a result of the above revenue and cost trends, the operating margin came to 1,133 million euro, up 2.4%. Income before tax from continuing operations of 532 million euro was up 17.2%, benefiting from the reduction in net adjustments to loans, down from 649 million euro to 589 million euro. The Division closed 2010 with a net income of 378 million euro, up by 2.2% compared to 2009 (+13.8%, excluding the effects of extraordinary taxation enacted in Hungary, which had an impact of 43 million euro).
The fourth quarter of 2010 showed a 5.5% increase in revenues compared to the third quarter, primarily owing to the increase in net interest income (+5.5%), net fee and commission income (+5.6%) and profits on trading (+35.9%). Income before tax from continuing operations fell 39.7% due to the higher net adjustments to loans.
Capital allocated, which represents 10% of the Group's total, climbed to 2,087 million euro. Due to that increase, ROE fell to 18.1% from 18.9% in 2009, while still remaining at a high level. Value creation, expressed in terms of EVA®, came to 106 million euro compared to 111 million euro in 2009.
The Division’s intermediated volumes showed growth compared to the end of December 2009 (+5.1%). This trend was the result of strong performances by both loans to customers (+4.3%) and direct customer deposits (+5.9%) in both components, demand deposits and funding through securities.

Business	It is responsible for the Group’s operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group’s strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks’ operations and the management of the relationships between international subsidiary banks and the Parent Company’s central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Area Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Distribution structure	1,741 branches in 13 countries

South-Eastern Europe

In 2010 the operating income of the Privredna Banka Zagreb group, including ISP Card, reached 468 million euro (-1% on the previous year). This performance was mainly attributable to the decrease in profits on trading (-58.6%), only partly offset by the increase in net interest income (+7.2%) and net fee and commission income (+7.2%). Operating costs increased 2.4% to 237 million euro, as a result of the increase in personnel and administrative expenses mainly related to the work on the start-up of the ISP Card. These results generated an operating margin of 231 million euro, down 4.3% on 2009. Net income, amounting to 138 million euro, was up (+6.5%) as a result of lower adjustments to loans.

Banca Intesa Beograd, including Leasing Beograd, reported an operating margin of 132 million euro, down 5% on 2009 (net of the exchange-rate effect, there was an increase of over 4%). Operating income declined slightly (-0.7%), chiefly owing to the performance of the profits on trading (-41.4%), while there were increases in both net interest income (+3.4%) and net fee and commission income (+2.1%). Operating costs were up 6.1%, driven primarily by the increase in administrative expenses associated with the installation of the new data centre. Net income came to 75 million euro, compared to 65 million euro in the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2010 with an operating margin of 11 million euro, up by 40.9% on 2009. This performance may be attributed to the increase in revenues (+18.1%) and, in particular, net interest income (+18.4%), owing to the lower cost of funding. Operating costs increased 8% due to the expansion of all components attributable to the Company's development plan. Net income rose to 4.1 million euro, up on the 2.3 million euro earned in 2009, despite greater net adjustments to loans owing to the deterioration of asset quality caused by the economic crisis and the increase in loan volumes.

Intesa Sanpaolo Bank Albania reported an operating margin of 23 million euro, up 16.6% on 2009. Revenues rose by 6.8% owing to the contribution of net interest income, which benefited from the increase in the total spread and average volumes, and the profits on trading, which benefited from greater foreign exchange operations and more effective treasury management. Operating costs fell 4.5%, primarily due to the decrease in administrative expenses. Net income came to 14 million euro, up 13.2% compared to the previous year, despite greater adjustments to loans (+25.9%).

The companies operating in Romania (Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania) recorded a total operating margin of 8 million euro, up 13.1% on 2009. Operating income increased 3.2% owing to the rise in net interest income (+9.6%) attributable to the growth in volumes. The increase in operating costs (+1.5%) was attributable to higher personnel expenses and adjustments for the development of the branch network. The reporting year ended with a loss of 9 million euro compared to a loss of 18 million euro for 2009, which had been affected by the higher level of net adjustments to loans as a result of the deterioration of the loan portfolio.

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 94 million euro, up 1.1% on 2009. The increase was primarily due to greater net interest income (+1.4%) and the increase in the profit on trading (+38.2%), which more than offset the decrease in net fee and commission income (-7.5%). Operating costs fell (-2.1%) due to the savings on personnel expenses. Net income came to 18 million euro, down 19.1% on the previous year, also as a result of the higher net adjustments to loans.

The VUB Banka Group achieved an operating margin of 263 million euro, up 5.1% on 2009, benefiting from an increase in operating income (+2.6%), attributable to net interest income (+3.1%) and net fee and commission income (+10.8%) and lower operating costs (-0.4%), particularly depreciation and amortisation. Net income, amounting to 150 million euro, increased 6.1% on 2009, benefiting from the reduction in net adjustments to loans (-23.6%).

The CIB Bank group recorded operating income of 483 million euro, down 4.3% on 2009. This performance may be ascribed to the decrease in the profits on trading (-147 million euro), primarily attributable to losses on securities influenced by the crisis, only partly offset by the increase in net interest income (+123 million euro). Operating costs decreased by 3.2% owing to savings on personnel expenses (-7.2%). The net result, affected by the adjustments to loans and higher taxation, was a loss of 85 million euro, compared to a net income of 17 million euro for 2009.

Area Commonwealth of Independent States & South Mediterranean

Banca Intesa Russia closed out its income statement for 2010 with a net income of 10 million euro compared to an 11 million euro loss in the previous year. In detail, net income was driven by a rise in net interest income (+23.4%), owing to the positive spread arising from the decrease in the cost of funding, and by profits on trading (+69%), due to the greater profits from the sale and revaluation of securities held in portfolio. Operating costs showed an increase of 7.2% attributable to all components and, in particular, amortisation charges relating to the launch of the new information technology system. Net adjustments to loans of 43 million euro were down 7.6% compared to 2009, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank for 2010 came to a positive 3 million euro (compared to 2.1 million euro in 2009) despite the fall in operating income (-5.3%) and, in particular, net interest income (-4.7%), as a result of the reduction in the total spread and average volumes, and in profits on trading (-51.7%), due to the reduction in operations with customers caused by the change in the regulations on transaction volumes that introduced daily transaction limits from the end of 2009. Operating costs fell by 7.1% due to lower personnel and administrative expenses resulting from the distribution network rationalisation programme. Net adjustments to loans came to 13 million euro, down significantly on the figure of 57 million euro for 2009. Pravex Bank closed 2010 with a net loss of 5 million euro, compared to the loss of 49 million euro for 2009.

Bank of Alexandria achieved an operating margin of 101 million euro, up 31.7% on 2009. Operating income increased 18.7%, benefiting from the increase in net interest income (+16.5%), driven by the increase in average volumes with customers (+23.8% of loans) and the spread, and also from the increase in net fee and commission income (+39.8%). The growth in operating income also led to an increase in operating costs (+9.4%). After the release of 7 million euro from allowances for risks and charges, net income came to 77 million euro compared to the 60 million euro generated in 2009.
With regard to the situation in Egypt in the first few months of 2011, reference should be made to Part B of the Notes to the consolidated financial statements.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes	
			amount	%
Net interest income	1	2	-1	-50.0
Dividends and profits (losses) on investments carried at equity	15	13	2	15.4
Net fee and commission income	261	297	-36	-12.1
Profits (Losses) on trading	7	4	3	75.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	4	7	-3	-42.9
Operating income	**288**	**323**	**-35**	**-10.8**
Personnel expenses	-53	-58	-5	-8.6
Other administrative expenses	-78	-79	-1	-1.3
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-132**	**-138**	**-6**	**-4.3**
Operating margin	**156**	**185**	**-29**	**-15.7**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-4	-4	-	-
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	**152**	**181**	**-29**	**-16.0**
Taxes on income from continuing operations	-35	-47	-12	-25.5
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-38	-39	-1	-2.6
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-2	-4	-2	-50
Net income	**77**	**91**	**-14**	**-15.4**
Allocated capital	58	55	3	5.5
Profitability ratios (%)				
Cost / Income ratio	45.8	42.7	3.1	7.3
ROE	132.8	165.5	-32.7	-19.8
EVA® (millions of euro)	109	127	-18	-14.2

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Assets under management	136,279	135,491	788	0.6

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

Overall, Eurizon Capital's assets under management came to 136.3 billion euro at the end of December 2010, up slightly on an annual basis (+0.6%). Net outflows for the year came to 1 billion euro due to outflows from mutual funds and institutional asset management schemes, primarily attributable to the revocation of individual portfolio management mandates and the discontinuation of the UCIs of Anima SGR following the divestment of BPM from Epsilon. By contrast, there were net inflows to insurance products (which benefited from the contribution from the life insurance business arising from the placement of class I policies by the Intesa Sanpaolo networks and the inflows from the unit-linked policies of Prospettiva, managed by Eurizon Capital) and, to a lesser extent, retail asset management. Eurizon Capital’s share of the mutual fund market was 17.3% as at 31 December 2010, down more than one percentage point on the end of December 2009. This performance was due in part to the more defensive portfolio held by Eurizon Capital compared to the market average as equity markets generally rallied and in part to lower net inflows compared to the sector nationally.
Operating income came to 288 million euro in 2010, down 10.8% compared to 2009, primarily due to the performance of net fee and commission income (-12.1%), in relation to the lower overperformance commissions collected in 2010 than in the previous year. Operating costs declined (-4.3%), essentially due to personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 156 million euro, down 15.7%. Eurizon Capital closed 2010 with a net income of 77 million euro (115 million euro net of the effects on the income statement of the purchase price allocation) compared to 91 million euro in the previous year.

The fourth quarter showed an increase in operating margin of 45.9% compared to the third quarter, driven by an increase in revenues (+26.5%) and, in particular, net fee and commission income and profits on trading. This result was also reflected in the income before tax from continuing operations (+39%) and net income (+59.1%).
Capital absorbed amounted to 58 million euro, up compared to 2009 due to the development of market risks. 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, declined 14.2% to 109 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 (Lussemburgo)	Specialised in managing Luxembourg mutual funds
Eurizon A.I. SGR	Specialised in managing funds of hedge funds
Epsilon Associati SGR	Specialised in managing mutual funds using quantitative methods and 51% owned by Eurizon Capital and the remaining 49% by Banca IMI
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR

Among events of corporate relevance, Eurizon Capital SGR closed the purchase of a minority interest in Epsilon Associati SGR (6.25%) from Banca Popolare di Milano and subsequently sold a 49% share of the capital of the former company to Banca IMI, after a joint venture had been formed. The aim of the joint venture with Banca IMI is to create a structured asset management platform within the Group.
Eurizon Capital also obtained the management contracts for the portfolios of the customers included in the business unit made up of the 50 branches of Banca Monte dei Paschi di Siena acquired by Intesa Sanpaolo.

With regard to the product line in 2010, in the area of Italian mutual funds, the service "Insieme per Domani", which allows an investment plan to be dedicated to a beneficiary other than the investor, was extended to all savings plans. In addition, the service "Eurizon Meta", which allows periodic investments according to a life-cycle style approach, was launched on funds in the Team line of "Sistema Risposte". In individual portfolio management schemes, two new lines devoted to the personal customers of Banca dei Territori, "GP Linea Strategia Valore" and "GP Linea Strategia Valore Più", were launched, differentiated by risk profile and recommended holding period. The range of "GP Private Solutions" marketed by the Intesa Sanpaolo Private Banking network was expanded to include a new "Mixed Floating Rate" component that invests primarily in investment-grade floating-rate government bonds. The range of Luxembourg funds was expanded with the marketing of three new sub-funds of the "Eurizon Focus Riserva DOC" fund, "Obbligazioni Corporate 12/2014", "Obbligazioni Corporate 12/2014-2" and "Obbligazioni Corporate 06/2015", aimed at retail customers of the Intesa Sanpaolo branch network and focused on investment in corporate bonds with a predetermined holding period. Non-captive retail customers and customers of the branch network of Intesa Sanpaolo Private Banking benefited from a new sub-fund of the "Eurizon Opportunità" fund known as the "Bond Selection 2015-1". The first sub-fund ("Obbligazioni 12-2015") of a new generation of flexible bond products was launched within the new umbrella fund "Eurizon Focus Strategia Flessibile". A new range of capital protected funds was also created within the fund "Eurizon Focus Capitale Protetto" and three sub-funds of the line, known as "Protezione 06/2016", "Protezione 09/2016" and "Protezione 12/2016", were marketed. The offering of products of the fund "Eurizon EasyFund" was expanded with the introduction of the sub-fund "Focus Azioni Strategia Flessibile", featuring more significant exposure on the equity market. An additional sub-fund ("Euro Floating") was launched within the fund "Eurizon Stars Fund", aimed at Italian and international fund users and private-banking customers, which brings together the Group's best expertise in securities. The "Eurizon Investment Sicav" SICAV line was expanded to include five new sub-funds devoted solely to institutional investors. During the year, Eurizon Capital S.A. received management mandates for new internal funds of Irish and Italian unit-linked policies managed by the Intesa Sanpaolo Group's insurers. Lastly, the hedge fund offer range was simplified by merging a number of funds.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	2010	2009	Changes	
			amount	%
Net interest income	120	158	-38	-24.1
Dividends and profits (losses) on investments carried at equity	-2	-	2	-
Net fee and commission income	539	437	102	23.3
Profits (Losses) on trading	21	15	6	40.0
Income from insurance business	76	65	11	16.9
Other operating income (expenses)	1	-5	6	
Operating income	**755**	**670**	**85**	**12.7**
Personnel expenses	-138	-139	-1	-0.7
Other administrative expenses	-194	-198	-4	-2.0
Adjustments to property, equipment and intangible assets	-16	-16	-	-
Operating costs	**-348**	**-353**	**-5**	**-1.4**
Operating margin	**407**	**317**	**90**	**28.4**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-71	-43	28	65.1
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-11	-9	2	22.2
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**325**	**265**	**60**	**22.6**
Taxes on income from continuing operations	-85	-62	23	37.1
Merger and restructuring-related charges (net of tax)	-4	-4	-	-
Effect of purchase price allocation (net of tax)	-98	-92	6	6.5
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**138**	**107**	**31**	**29.0**
Allocated capital	458	447	11	2.5
Profitability ratios (%)				
Cost / Income ratio	46.1	52.7	-6.6	-12.5
ROE	30.1	23.9	6.2	25.9
EVA® (millions of euro)	189	151	38	25.2

(millions of euro)

	31.12.2010	31.12.2009	Changes	
			amount	%
Assets under management	53,500	47,034	6,466	13.7

On 29 July, Banca Fideuram completed the purchase of 19.99% of the capital of Fideuram Vita, the company dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group, spun off by EurizonVita. Note that the figures in the table and commented upon below include the results of Fideuram Vita.

At the end of December 2010, the Banca Fideuram Group's assets under management came to 71.6 billion euro (of which 53.5 billion euro in assets under management and 18.1 billion euro in assets under administration), up 5.6% on an annual basis owing to net inflows of 1.9 billion euro (2.8 billion euro at the end of 2009, driven largely by inflows resulting from the repatriation of financial assets held abroad under the "Third Tax Amnesty") and the strong investment performance. In particular, net inflows of assets under management came to 4.2 billion euro, compared to 2.9 billion euro in 2009, benefiting from the strong performance of the mutual funds segment. Conversely, assets under administration showed net outflows of 2.3 billion euro, compared to net outflows of 124 million euro in the same period of the previous year. The results achieved in 2010 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.
The number of private bankers rose from 4,292 at the end of 2009 to 4,349 units as at 31 December 2010.
The operating margin for 2010 came to 407 million euro, up 28.4% compared to the previous year, driven by the growth in operating income (+12.7%) and a fall in operating costs (-1.4%). In detail, the revenue performance was essentially due to the increase in net fee and commission income (+23.3%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose significantly compared to the previous year owing to both the growth of assets under management and the gradual

repositioning of the product mix to favour forms of assets under management with a less conservative risk profile. The quarterly performance of recurring net fee and commission income was consistently positive in 2010, with a rapid acceleration in the second half of the year. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents more than 10% of net fee and commission income, remained essentially stable compared to 2009. Fee and commission expense, primarily related to incentives for the network for attracting new money, increased by 15% due to the strong performance by the private bankers network. Positive contributions to the increase in revenues were also provided by the income from insurance business of Fideuram Vita (+11 million euro compared to 2009) and profits on trading (+6 million euro), which benefited from the gains realised on the sale of part of the portfolio available for sale. Conversely, net interest income declined (-24.1%), primarily owing to the reduction in the spread between the cost of funding and the lending rates on loans, and, to a lesser extent, to a decrease in volumes. The quarterly performance shows gradual increase in the margin in 2010, especially due to floating-rate assets. The fall in operating costs (-1.4%) was essentially attributable to administrative expenses, as a result of the containment of the costs for services rendered by third parties and advertising and marketing expenses. After additional provisions for risks and charges primarily attributable to tax litigation, income before tax from continuing operations came to 325 million euro compared to 265 million euro for 2009.
Banca Fideuram closed 2010 with a net income of 138 million euro (+29% compared to the previous year), which rises to 236 million euro if the effects of the purchase price allocation on the income statement are excluded.
The capital absorbed by Banca Fideuram was 458 million euro, slightly above that reported in 2009. ROE was 30.1%, up considerably owing to the positive net income performance. EVA®, which measures value creation, also increased up to 189 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 4,349 private bankers

On 16 December 2010, Banca Fideuram's Board of Directors approved the acquisition of a 100% interest in Banca Sara from Sara Assicurazioni. The transaction, which is to be closed in 2011, after the authorisations required by applicable legislation have been obtained, will allow the group to reinforce its market leadership by increasing assets under management and market share.

The product development initiatives undertaken by Banca Fideuram in 2010 were carried out in a financial scenario that remained uncertain, especially early in the year. Such initiatives were carried out in collaboration with the product companies in order to make the best use of their specific skills. The activity affected both the asset management and banking segments.
In asset management, the year witnessed the completion of the rationalisation of Italian mutual funds subject to uniform policies involving the creation of "Fideuram Liquidità", "Fideuram Rendimento", "Fideuram Bilanciato" and "Fideuram Italia". The range of the Luxembourg fund "Fonditalia" was expanded to include four bond sub-funds, three "country" equity sub-funds targeting emerging economies and two flexible equity sub-funds specialised in Europe and Italy. The main changes made in the area of third-party mutual funds involved the distribution of products from two new management companies: Aberdeen Asset Management, with two SICAVs and 39 sub-funds, and Leonardo Asset Management, with one SICAV and nine sub-funds. In individual portfolio management schemes, the uniform contract "Fideuram Omnia" was expanded to include three new lines that offer greater exposure to emerging countries than the traditional lines. In the insurance business, Fideuram Vita launched its first policy ("Fideuram Vita Garanzia e Valore") that not only guarantees capital, but also distributes a coupon equal to the revaluation tied to the performance of the underlying portfolio to investors each year, with a minimum of 1.8%.
In the area of assets under administration, Banca Fideuram participated in numerous bond issues by Intesa Sanpaolo on behalf of Banca dei Territori, carried out six exclusive placements for its networks of bonds issued by Banca IMI linked to the performance of the six-month Euribor and took part in the placement of subordinated floating-rate Intesa Sanpaolo notes issued on an exclusive basis for the Banca Fideuram and Intesa Sanpaolo Private Banking networks.
In 18 months of activity, the SEI advanced advisory service, introduced in June 2009, which offers customised solutions to meet all investment needs and evolve with them as they change over time, was activated by more than 20,000 customers, with approximately 2,000 active private bankers.

Corporate Centre

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

The Corporate Centre closed 2010 with an operating loss of 606 million euro, compared to an operating loss of -11 million euro in the previous year. This performance was primarily attributable to the income from trading, affected by the decrease in interest rate and lower net interest income, also as a result of the gap between non-interest bearing assets and non-interest bearing liabilities. Operating costs fell compared to 2009. Overall, the net loss came to 225 million euro, compared to a net loss of 345 million euro in 2009. The above performance may be attributed to the greater income after tax from discontinued operations reported in 2010, 694 million euro, which included the capital gain of approximately 650 million euro on the sale of the securities services unit to State Street Co., compared to 169 million euro in 2009, a figure that includes not only the income reported by the above-mentioned securities services business, but also the capital gains on the sale of Cassa di Risparmio di Orvieto and several branches sold in March 2009.

Treasury activities

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. Intesa Sanpaolo is a direct member and provider of settlement services for both Group banks and third-party banks: in 2010 it confirmed its systemic relevance within euro payment systems by obtaining the designation of "Critical Participant" for its Target2 circuit from the ECB. This status entails a commitment to the annual self-certification of the presence of security and business continuity measures adopted by the Bank and their compliance with internationally recognised standards. Also within the area of gross payment systems, the Group stabilised its Target2 market share at Italian and European level.

In 2010 the Treasury Department continued to devote considerable attention to various working groups within the ECB, Bank of Italy and Italian Banking Association concerning the new projects for the development of international settlement systems. In particular, in the area of Target2-Securities, the Bank is setting up the operational processes needed to formulate the strategic guidelines for the internal development of this important project. Late in the year, work was resumed on implementing the new European platform (CCBM2) intended to handle cross-border collateral. In this regard, the Eurosystem has set a new and very challenging timeline for the work, which will involve the participation of leading European banks as early as the first quarter of 2011 and calls for the platform to be launched in 2013 in two migration processes.

The Parent Company also continued to dedicate significant efforts to eliminating settlement risk in foreign exchange transactions, where, as a direct member of the CLS system, it continued to offer a clearing service in line with the quality standards of the major European banks.

A significant new initiative involved the process of internalisation of the Chinese Yuan (CNY). Asian branches (Hong Kong, Shanghai and Singapore) have completed the regulatory and operational compliance associated with cross-border transactions denominated in yuan. It is thus now possible to support customers in various areas, such as: opening accounts, time deposits, collections and payments, foreign exchange and exchange rate risk hedging services and trade finance. In January 2011 the Shanghai branch also obtained approval from Chinese monetary authorities to act as agent bank for cross-border yuan settlement.

Money markets were tense, with peaks associated with the Eurozone's problematic economies in the first quarter, and the intensification of the crisis in peripheral euro area nations in early May and then in November. Renewed concerns surrounding the sustainability of the public debt/deficit in Spain, Portugal and especially Ireland resulted in the high volatility of certain sub-funds and challenges for certain counterparties in procuring liquidity except through recourse to the Central Bank. To prevent situations of stress on the markets, in December the European Central Bank announced that it would continue throughout the first quarter of 2011 to undertake fixed-rate refinancing transactions on the open market with the award of the full amount, aimed at ensuring a surplus of funds with respect to the system's requirements in order to support banks experiencing difficulties in procuring liquidity directly from the market. This surplus liquidity brought very short term euro rates to levels not far from the low for the year, while the cash rate curve on other money-market maturities steepened in the wake of the aforementioned increase in the yields on the government bonds issued by several Eurozone countries. The Federal Reserve continued with its monetary loosening policy, announcing a second tranche of "quantitative easing" through the purchase of 600 billion dollars in Treasuries to be completed in the first half of 2011.

Following a slight recovery in previous months, money-market transactions were once again concentrated almost exclusively on short-term maturities. In October, the Collateralised Interbank Market saw the Bank of Italy replaced by Cassa di Compensazione e Garanzia in the role of operator and central market counterparty. Exchanges on the Market were partially reduced as the end of the year drew near, although it continued to represent a useful tool in keeping exchanges on maturity of one to three months active on the Italian market.

The slowdown of short-term issues was one of the most critical factors for all European financial issuers, especially due to the decreased appetite of U.S. investors for European risk, and for peripheral issuers in particular. This phenomenon, accompanied by a search for higher returns, resulted in an inevitable increase in the average cost of funding, including in the short term, for the entire banking industry. Intesa Sanpaolo's European and U.S. issue programmes showed a similar trend, with a slowdown in particular in direct issues on the Irish market. Activities aimed at listing the issues of the Intesa Sanpaolo Ireland Programme on the local exchange are underway in order to reawaken investors' interest. In parallel, analyses are being conducted to launch a short-term issuance vehicle from Luxembourg as well, so as to enjoy access to an additional source of funding from a market currently considered low-risk by investors.

Intesa Sanpaolo's liquidity position remained on average in excess of its current needs and stayed continuously positive beyond the period of survival required by the regulators and the Bank's liquidity policy.

In 2010, the performance of the securities portfolio was influenced by the European sovereign debt crisis. In the first few months of the year, the environment of uncertainty and tension extended, albeit with a different degree of intensity, from Greece to the entire European sovereign market. The widening of bond spreads to record levels, especially for peripheral countries, compared to

swaps and Bunds, reached very high levels and contaminated countries such as Ireland, Portugal and Spain. Italian treasuries were less affected than those of the above countries, although Italy's political situation provided opportunities for international speculation on various occasions. The ensuing volatility of spreads steered the desk's strategic decisions: almost all securities in portfolio were concentrated in short-term Italian government bonds (within two years), which offered interesting margins compared to the costs of financing and essentially limited risk. This was also permitted by the structure of money-market rates, in turn influenced by the European Central Bank's choice of extending the extraordinary measures aimed at injecting liquidity into the banking system. It should also be emphasised that both the ECB's secondary-market repurchasing programme and the creation of supra-national entities (EFSM/EFSF) intended to support countries experiencing difficulties in raising funding independently were brought to bear on the issue of preventing risks of a further dangerous widening of European peripheral spreads.
The volume of the portfolio of covered bonds and government-guaranteed bonds was reduced early in the year to exploit the positive cyclical dynamic. It was only in more recent months that more generous spreads resulted in a conservative increase in positions in Italian issuers, while, to a lesser extent, investments were also made in northern European and French issuers (characterised by considerably lower volatility) with the aim of re-establishing efficient diversification of risk.

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 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, benefiting the business units. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at the Group level. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

Funding

In terms of medium-/long-term funding, the total issues of Group securities placed on the domestic market through its own and third-party networks was 17.9 billion euro in 2010, 1.3 billion euro of which in subordinated floating-rate lower tier 2 securities with an average 5-year maturity. Structured bonds (mainly structured interest-rate securities) represented the bulk of the securities placed at 69.1%, whereas the weight of plain vanilla securities was 30.9%. A breakdown by average life shows a concentration in two- and three-year maturities (accounting for 39%), followed by four- and five-year securities (accounting for 33.2%), while the remaining 27.8% consists of securities set to mature in six or seven years. In terms of international funding, a total of 11.2 billion euro in "unsecured" transactions were undertaken in 2010, 10.3 billion euro of which in the form of bond issues and the remainder of non-securities funding from German investors and the medium-/long-term deposits of international branches and subsidiaries consisting of their local funding. The Bank's first issue, coming to 1 billion dollars, for the U.S. market under its new “Medium Term Notes 144a” Programme of a total of 15 billion euro was completed in August 2010.
Late in the year, despite the market slowdown due to the sovereign debt crisis, international fixed-income markets recovered.
Public transactions included the issue in the fourth quarter of subordinated fixed-rate T1 evergeen hybrid instruments in the amount of 1 billion euro and the issue of 8-year, fixed-rate senior notes in the total amount of 1.25 billion euro.

In structured funding, the first public issue of covered bonds, 2 billion euro at a fixed rate of 3.25%, set to mature within seven years, was placed in 2010 as part of Intesa Sanpaolo's 10 billion euro issue programme secured by assets from the public sector originated by the subsidiary BIIS. The notes, intended for institutional investors and listed on the Luxembourg stock exchange, obtained an Aaa rating from Moody's. Intesa Sanpaolo also lauched the inaugural issue of the second Covered Bond Programme secured by mortgages (the maximum amount of the Programme is 20 billion euro). The issue of 1 billion euro at a fixed rate of 3%, set to mature in five years, intended for the Euromarket, has a Moody's rating of Aaa and is listed on the Luxembourg Stock Exchange.

Business continuity

During 2010, the business continuity actives 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 particular, as part of the Group's Business Continuity Testing Plan, in November 2010 the Crisis Management Organisational Model was simulated, involving the participation of the Group's top management, to coincide with the annual test of the technological actions (disaster recovery) implemented to respond to the unavailability of information technology systems. A total of more than 50 spot checks was conducted of the business continuity procedures in place at the Group's Italian and international companies. Similar checks of business continuity procedures were also conducted for the main market access infrastructure and interconnections between that infrastructure and the Group's systems. In detail, checks were conducted with the suppliers Swift,

Monte Titoli, Bloomberg, Reuters and EBS. The updating of the Business Continuity Plan saw the launch of the annual maintenance process aimed at ensuring that the Group enjoys constant access to an effective Plan and complies with the instructions of Supervisory Authorities. In addition, contractual provisions were drafted to ensure the continuity of the services offered by the Bank's suppliers and identify critical contracts in which to negotiate the addition of specific clauses (mapping and surveying). Checks were also conducted to ensure that the systems of buildings that host systemic processes, critical processes and/or data processing centres and server farms meet applicable requirements (high reliability). Certified electronic mail accounts have been active for the Group's Company Secretariats since January 2010, enabling them to count on digital signature mechanisms guaranteeing the authenticity of documents exchanged with Supervisory Authorities, including to discharge obligations required to replace print correspondence. The year also saw the launch of the process of digital storage of the 2009 Inventories Ledger, and ISO27001 and ISO9001 certifications were renewed for Intesa Sanpaolo's Information Security Management Systems, as a contribution to compliance required by Law 262/05.

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

After completing the integration activities that had characterised previous years, in 2010 Intesa Sanpaolo Group Services pursued significant project tasks aimed to support the Group's Business and Governance functions, as well as initiatives aimed at increasing efficiency, consolidating and rationalising.
Initiatives in support of Business functions included important measures in collaboration with users to develop new products and services, optimise the operating model, improve customer relations and achieve compliance with new regulatory developments.
The main initiatives for the Banca dei Territori Division involved developing Internet-banking instruction delivery features, adding a monitoring system for the service provided to customers in the branch, implementing new features in applications in support of sales and developing new products and services, such as the New Modular Account, and simplifying the transfer of relationships to Group banks. The branch/ATM network also continued to be rationalised and modernised and initiatives relating to payment cards were carried out.
In the Corporate and Investment Banking Division, considerable efforts were devoted to implementing new marketing information tools to improve marketing efficacy and rationalise the main application chains. Customer relationship management solutions for the various customer segments were extended and personalised, development of the Financial Value Chain continued with the release of new features and new platforms for structured finance were developed.
In 2010 activities aimed at achieving compliance with applicable regulations continued, such as measures aimed at banking transparency, the commitment to quality, the Basel II action plan, compliance with Bank of Italy's instructions in connection with the Single Electronic Archive and the preparation of a map for monitoring and supervising compliance controls and the "Progetto Risparmio" in the area of adequacy and risk profiles.
Important initiatives were also developed to simplify the internal operating model (production processes, operational management and administrative processes) and processes and services provided externally, including through experimentation with innovative high-tech solutions.

Activities relating to the Banca Semplice programme continued, with the development of the Bancapedia projects to simplify the sharing and dissemination of the information required for day-to-day operations, Monitoring and Traceability, to improve and increase the transparency to customers of the main operating processes, and Listening to support collaboration in the development of initiatives proposed by network colleagues.
Lastly, there continued to be a commitment to achieving project initiatives relating to innovative products and solutions involving the use of cutting-edge technology. In addition to the release of the new Intesa Sanpaolo institutional website, collaboration tools continued to be disseminated, including through webchat and webmeeting technologies, and new forms of contact between the Bank and its customers were tested.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2010	12,823	3,192	610	16,625
2009	13,906	3,356	397	17,659
% change [(a)]	-7.8	-4.9	53.7	-5.9
Loans to customers				
31.12.2010	327,768	40,633	10,834	379,235
31.12.2009	325,201	40,252	10,001	375,454
% change [(b)]	0.8	0.9	8.3	1.0
Direct customer deposits				
31.12.2010	332,735	69,050	25,406	427,191
31.12.2009	327,179	68,921	29,059	425,159
% change [(b)]	1.7	0.2	-12.6	0.5

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

[(a)] The change expresses the ratio between 2010 and 2009.

[(b)] The change expresses the ratio between 31.12.2010 and 31.12.2009.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 77% of revenues, 78% of customer deposits and more than 86% of loans to customers. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
At the level of the operating performance in 2010, Italy posted strong results in terms of deposit volumes, which more than offset the downtrends in the Rest of the world. The volumes of loans to customers increased due to the disbursement of loans both in Italy and internationally.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Social and environmental responsibility

The commitment to social and environmental responsibility originates from the conviction that these issues must be strictly linked to the logics governing typical business activities: staff optimisation, the quality of the product mix and customer services, the creation of economic and social value for the Bank and the communities in which it operates. In 2010 the CSR Unit worked hard to ensure that this principle became even more solid, enhancing its social responsibility management model and adopting sustainability policies and progress monitoring tools. There was a particular focus on the quality of relations with stakeholders and the efficiency of company organisational processes to guarantee implementation continuity of the Code of Ethics. The results of these monitoring activities, for which the Bank opted to make use of specialised consulting firms with a view to guaranteeing an impartial observatory, were processed through two "information dashboards" developed by applying internationally-recognised methodologies (Institute of Social and Ethical Accountability and Vigeo). During 2010 these tools became fully operative as part of management activities, providing the Bank's management with an overall picture of the level of interaction between CSR policies and decision-making policies, and offering a more systematic definition of areas for improvement.

In terms of the new policies adopted, the activities of the working party for the application of Equator Principles in organisational processes relating to project finance reached their conclusion. In July 2010 the Service Order was issued in which these World Bank principles for social and environmental risk assessment in lending decisions became an inescapable project evaluation criterion.

The Bank's support activities for the international network were also further extended to guarantee correct application of the policy governing loans and transactions to businesses operating in the arms sector. To remedy situations were operations differed from regulatory standards, in June 2010 the Rules on Arms Sector Operations were issued for the International Subsidiary Banks, defining the management, reporting and control methods for operations in this sector. A contact was identified in each bank to monitor application of the policy and to provide quarterly reports containing all information on operations conducted in line with the policy's principles.

The CSR Unit organised three meetings with the Contacts with the aim of discussing the progress achieved and obtaining feedback on initiatives adopted in the various areas of the Group: the first targeting the Group's International Subsidiary Banks and the others with the Italian central departments, business units and banks.

Discussions with the international Contacts dwelt upon certain key topics such as Arms Policy and environmental impact management. The new management model for reporting non-compliance with the Code of Ethics was also presented, which on initial receipt is now assessed directly by the local CSR Contacts. For the Italian Contacts two meetings of an informative nature were organised: the first was held in June to present the Social Report, and the second in November provided a status overview of CSR activities. This second meeting also included a training initiative designed ad hoc: the 'Valore ai pensieri' Thinkshop. This experience was inspired by philosophical dialogue to create a space in which everyone could become players through listening and thinking beyond day-to-day habits and places.

As confirmation of the quality of its action taken in this field, in 2010 Intesa Sanpaolo received numerous awards. The annual "Recent Graduate Survey" survey by Cesop Communication - Italian leader in the business communications services sector for the recruitment of graduates and young professionals - for the third year running recognised the Intesa Sanpaolo Group as the most coveted workplace for Italian graduates. A wide range of environment-related recognitions was also received. According to the classification published by Newsweek, Intesa Sanpaolo is the number 1 "green" group in Italy and 13th in the worldwide classification of the top 100 groups most committed to issues on safeguarding the global environment. The integrated management of environmental impact in the Bank's branches and buildings once again earned the top special award for direct impact from the Green Globe Banking Awards. During the 10th Italian Energy Summit, the Bank achieved the Il Sole 24 Ore Energy 2020 award. Lastly, the implementation of environment management policies and the development of innovative projects earned the Bank a special mention at both the Ecopolis international event on the urban environment and sustainability, promoted by the Rome Chamber of Commerce and Fiere di Roma, and as part of the 2010 sustainable projects and green public procurement award launched by Consip and the Italian Ministry of Economy and Finance.

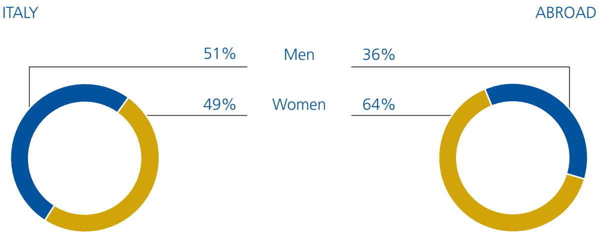
Relations with stakeholders

Employees

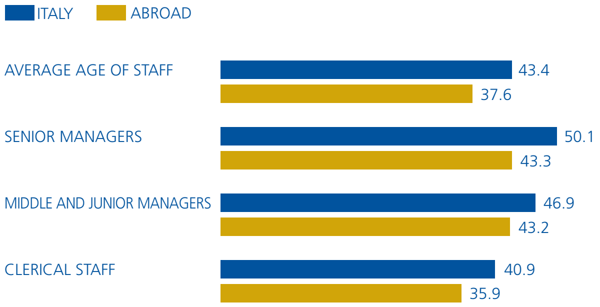
During 2010 Intesa Sanpaolo was committed to a project involving all departments with the aim of building a simpler, more innovative Bank to seize upon the challenges of the new business plan, also given the scenario of a persistent economic crisis.

In this context the Bank is developing an integrated corporate welfare scheme offering solutions – from the more traditional to the more innovative – in response to specific areas of need and interest. Institutions, services, initiatives and planning are made available to increase the level of wellbeing and improve the quality of life of employees and their families.

BREAKDOWN OF STAFF BY GENDER (%)



AVERAGE AGE OF STAFF BY POSITIONS HELD



Average age of staff group 41.6

Staff breakdown by type of contract (%)	Italy	Abroad	Total
Permanent contracts	95.84	93.11	95.01
Restart contracts - permanent	0.15	-	0.10
Non-permanent contracts	0.59	6.66	2.44
Apprenticeship contracts	2.56	0.20	1.84
New starter contracts - apprenticeship	0.53	-	0.37
New personnel contracts	0.33	0.03	0.24
Temporary workers (in Italy: Supply contracts and Project workers) - (number)	143	140	283

Regarding employment, in 2010 the Group recruited 5,462 staff (2,436 in Italy and 3,026 abroad). The investment in the future through the introduction of young resources continued in line with corporate investment and cost-efficiency objectives.
The number of women increased overall to reach 49% in Italy (+0.4% on 2009) and 63.9% abroad (+0.2% on 2009), these figures also mirroring the prevalence of female recruits (60% of total recruitments).

	Turnover rate
Italy	0.91%
Men	*0.12%*
Women	*1.74%*
Abroad	-4.81%
Men	*-5.08%*
Women	*-4.65%*

The staff turnover in Italy, 0.91% (-2.9% in 2009), recorded an improvement given that the number of new entries was over 600 more than the number of staff leaving.
Among the international subsidiaries, staff turnover was -4.8% (-9.8% in 2009), a decrease mainly attributable to certain Eastern European countries that suffered more than others from the economic crisis and were subject to a reorganisation which, amongst other things, involved the downsizing of a number of branches considered non-strategic.

Despite the difficult economic situation, Intesa Sanpaolo was strongly committed to creating new job opportunities: following the agreement signed with the Trade Unions on 2 February, in Italy 480 resources were recruited in geographic areas with a high unemployment rate.
In addition the Group agreed – by 31 March 2011 – to arrange:
- 400 new recruitments, also to meet residual needs deriving from the 8 July 2008 agreement,
- additional staff to replace personnel accepting staff leaving incentives, having already matured the right to a seniority or state pension.

As a result of these commitments, as at the end of 2010 Intesa Sanpaolo had recruited over 500 resources, creating steady jobs in many operating structures spread throughout Italy and launched a real generational turnover policy.

Recruitments during the year (by type of contract)	**Italy**	**Abroad**	**Total**
Permanent contracts	987	1,449	2,436
of which restart contracts	*104*	*0*	*104*
Non-permanent contracts	550	1,509	2,059
Apprenticeship contracts	744	57	801
of which new starter contracts	*376*	*0*	*376*
New personnel contracts	155	11	166

With a view to enhancing business talent, in 2010 Intesa Sanpaolo set up new development initiatives and action, guaranteeing equal access rights in line with the logic and principles of the Gemma Project. Then in the second half of 2010 the new staff appraisal system was introduced - Performer - with the aim of greater recognition of cases of merit, designed according to three guiding principles: simplicity, equal assessment and individual responsibility. In line with company developments and changes, and in addition to reducing the number of steps in the process, the new system measures service excellence and places stronger emphasis on the organisational conduct of each employee. A fairer assessment for each level of seniority, particularly those associated with less complex activities, will ensure that staff talent will be spotted more easily from the point of view of promoting diversity. This will make it simpler to recognise the contribution of younger and part-time staff (most of which are women).
The talent management platform was also set up with the aim of measuring skills, increasing business know-how, capacity and experience in the main business communities, identified according to age and seniority level, to assess merit with particular regard to age diversity and experience. The first community was launched in 2010 (“Emerging”) with a self-candidacy process allowing candidates' unopposed application at their own initiative. The mix within the community proves consistent with the gender distribution for that age group, in which female participation is predominant.
Training – following guidelines that privilege exchange, listening and care of the participants – has focused on initiatives aiming to enhance discussion, gathering ideas from everyone in the Group and improving dialogue between colleagues. Use of the “Aula+” learning protocol was consolidated, involving the integrated use of all available channels and technologies (classroom, e-learning, web TV, social network). Research continued into new learning formats that best satisfy the needs of colleagues and maximise training efficiency. The training offered also focused strongly on topics oriented towards the company’s female staff, with the aim of enhancing the spread of values such as inclusion, managerial and behavioural awareness, well-being and emotional stability. The structure of certain courses in the catalogue was adjusted to facilitate attendance by part-time personnel.

Training	**Italy**	**Abroad**
Training days during the year (classroom + distance learning) (*)	796,559	154,127
Training days per employee	11.4	5.0

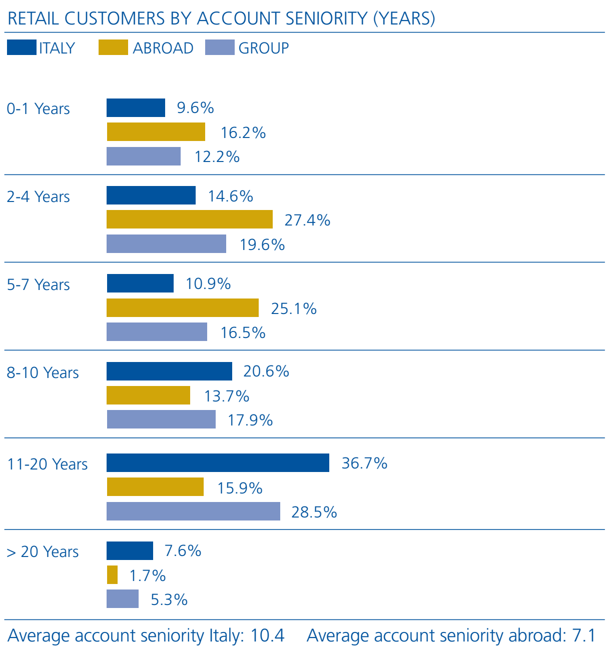
(*) the figure excludes the use of Web TV

The combined industrial relations model, which – with over 500 agreements signed since 2007 – characterises Intesa Sanpaolo’s relations with Trade Unions, has led to new and important understandings. After the employment support agreement of 2 February 2010, the 2 October 2010 agreement sanctioned the setup of the private Integrated Support Fund in Italy, among the European leaders in terms of the number of members and guaranteed health insurance, with over 200,000 beneficiaries including established employees, family members and pensioners from all of the Intesa Sanpaolo Group. From January 2011 the new Health Fund guarantees services integrated with the National Health Service in terms of hospital and specialist treatment, based on the key principles of corporate welfare, i.e. solidarity, mutual aid and sustainability, and sanctioning a tight bond between generations.
As in previous years, 2010 was marked by a strong commitment to promoting health and safety-related issues.
Among the many activities initiated, an in-depth analysis was conducted on the health of personnel under observation, based on over 4,000 medical examinations completed and also forming the basis for preparation of health care and health promotion programmes.
The corporate Risk Assessment Document was also reviewed with a view to simplification and adaptation to new elements introduced by the Consolidated Law, particularly with regard to specific risks such as "work-related stress".
With regard to activity monitoring, the workplace survey continued and, in particular, over 1,300 site visits to branches and central offices and more than 150 environment-monitoring tests (radon, asbestos, air quality) were completed in order to assess risks to health and safety and to identify measures for their reduction/elimination.
Lastly, post-robbery support activity continued by qualified doctors with support from the University of Milan and involving over 100 branches. Also planned and available to employees is a wide series of support actions (psychological, personal interviews on request, interview follow-up, post-robbery medical examinations on request).

Total accidents throughout the year	Italy	Abroad	Total
Total accidents throughout the year	980	222	1,202
Accidents inside the company in the year	*326*	*43*	*369*
Accidents outside the company in the year	*654*	*179*	*833*
Percentage of accidents out of the total number of employees	1.4	0.7	1.2

The accidents index based on the number of personnel is 1.2% and in line with values for the last three years. In 2010 there were no reports of deaths or serious accidents in the workplace for which corporate liability was confirmed, and lastly there were no sanctions of a significant amount for the infringement of labour law or social security regulations.
With regard to internal communications, action continued to encourage cohesion and increased sharing of strategic objectives and corporate information. As part of the structured in-house listening initiatives, in 2010 two climate analyses were conducted in Italy and one for the international subsidiary banks.

Customers
In 2010 Intesa Sanpaolo maintained its commitment to effective contribution to the social and economic context of the various local communities, in support of customer trust and to accelerate recovery from the crisis. In pursuit of this objective the Bank launched initiatives and signed agreements with a view to household and production industry support, from micro businesses and SMEs to large companies, by developing its product mix on the basis of constant dialogue that allows the Bank to expand its advisory role and encourage mutual understanding between the customer base and customer relations structures throughout the country.



For households facing critical situations (for example, job loss, temporary lay-off or loss of self-sufficiency) the Bank has adopted ABI's Household Plan and, in November 2010, became a member of the Solidarity Fund for First-Home Mortgages. Using different methods, these initiatives envisage the option of suspending mortgage repayments on customers' first home. During the year over 6,400 applications were accepted, in most cases involving reduced income due to work layoffs or reduced working hours. Again with regard to households and SMEs, Intesa Sanpaolo took action in favour of communities hit by natural disasters. In just two weeks, in support of inhabitants hit by the Veneto floods, the Bank launched a special loan to repair damages caused by the adverse weather conditions. As at the end of 2010, 72 fixed-rate loans for more than 770,000 euro and 13 floating-rate loans for almost 79,000 euro had been disbursed. In the same region – and in Liguria, also devastated by floods - a debt deferral scheme was set up for SMEs. Furthermore, for small enterprises affected by the earthquake in Abruzzo, since 2009 the suspension of loan repayments has been extended for 12 months, cost-free and without the application of financial charges. With regard to household protection, Savings Project activities continued in 2010 which led to important steps forward in the process of radical, progressive development of investment advisory services, also through the streamlining of customer segmentation and profiling processes. The project envisages a full review of the service model and product mix with a view to achieving a level of distinction in household investment management, geared towards consolidating the relationship of trust in the long term through management transparency and simplicity.
Intesa Sanpaolo has also entered into the agreement with the Italian "Dipartimento per le Politiche della Famiglia" (department for family policies) which envisages the disbursement of loans to families with newborn children or children adopted in the years

2009, 2010 and 2011 and the payment of contributions on loans to families with children either newborn or adopted in 2009 that suffer from rare illnesses. 3,969 Newborn Loans were disbursed in 2010 for a total of over 19 million euro.
There were a great many important support initiatives for the production industry, including adoption of the extension to SME debt deferral in relation to the ABI lending system, plus an ad hoc initiative for freelance professionals, a category excluded from the "public sector moratorium". The short-term and medium-term credit transactions suspended as at 31 December for the entire Group totalled more than 53,600 in relation to debt deferrals of almost 2,500 million euro (accounting for 3.6% of the total medium-term loans disbursed by the Banca dei Territori Division).
Again with regard to enterprise, Intesa Sanpaolo reconfirmed its support in 2010 with the provisioning of 5 billion euro as part of the "Crescere insieme alle imprese" initiative and the signing of an important agreement with Confindustria Piccola Industria, to promote the instruments launched in a similar agreement in 2009, for example the additional credit facility for managing default, supplier payments and recapitalisation plans to strengthen company capital. A 10-billion euro ceiling was allocated to three areas of interest that Piccola Industria and Intesa Sanpaolo identified to relaunch the competitiveness of Italian companies: internationalisation, innovation and business sizing.
As the undersizing of SMEs is considered a restriction to innovation options, the Bank is strongly committed to encouraging business combinations and business sizing processes, for example by facilitating lightweight combination formulas such as business networks, in which the identity and specific nature of individual companies is safeguarded.
To encourage SME capitalisation and business combination, Intesa Sanpaolo agreed with the Italian Ministry of the Economy and Finance, ABI (the Italian Banking Association), Confindustria, Cassa Depositi e Prestiti, Unicredit and Banca Monte dei Paschi di Siena on a project to create a financial support tool for SMEs, with a commitment to contributing a total of 250 million euro to the Fondo Italiano di Investimento (Italian Investment Fund). The initial provision of the fund is 1.2 billion euro. The fund potentially targets approximately 15 thousand Italian companies with a turnover of 10-100 million euro, of which 10 thousand are in the manufacturing industry.
Regarding innovation support, the Bank has a distinctive range of products, first among which is Nova+, designed as a means of general financing, without personal guarantees, for business investments in R&D. As part of the services offered to encourage the development of new businesses with a strong innovative drive, activities of the "Intesa Sanpaolo Start up Initiative" also continued. The initiative offers a training, selection and start-up presentation to investors path that narrows the gap between innovators and investors to create firm investment opportunities. The first six editions of the initiative have seen a total involvement of over 500 start-ups. Around 130 companies took part in the training courses and 70 met with 400 Italian and international investors.
The risk capital to sustain innovation is also considered by Intesa Sanpaolo to be important leverage for the country's development. Certain of this knowledge, the activities of the Atlante Venture fund continued, putting innovative small companies in touch with each other, with medium/large-sized companies and with universities and research centres. The aim is to create a real business accelerator. As at 31 December the fund had invested a total of 4.3 million euro in unlisted companies operating in the field of high-social impact technologies and solutions.
The support of public and private players that participate in the creation of large infrastructures and the improvement of public services continued in 2010 through Banca Infrastrutture Innovazione e Sviluppo (BIIS) whose activities are dedicated to this type of customer. Local support was also provided by solving problems affecting relations between local authorities and their providers, for which BIIS offers factoring of receivables without recourse to make financial resources available to companies so that they may overcome difficulties arising from the economic crisis. The Bank is committed to encouraging socially-useful large and strategic public works such as ports, airports, nursery schools, car parks, military/police stations, multi-sports centres and hospitals. The social housing projects remained active: for example financing ITEA (Istituto Trentino per l'Edilizia Abitativa) which, by working to satisfy the needs of those with insufficient means to access to the property market, is a key element among the "system tools" to sustain not only housing needs, but also the employment market and the services generated by new building initiatives.

Shareholders

In 2010 the objective of sustainable growth continued to form the core of the strategy, and proved to be particularly important in a macro-economic scenario that is still unstable after the prolonged crisis. During the year Intesa Sanpaolo's strategic decisions again leveraged solidity, liquidity and the low risk profile, strengthening and developing relationships of trust with stakeholders.
As planned, integration of the information systems was completed and rationalisation action continued of the Group and its presence in Italy.
The commitment to providing all stakeholders with transparent, prompt and easy-to-access information was maintained. 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 has a well-organised content providing stakeholders with extensive, systematic 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 2010 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.

Suppliers

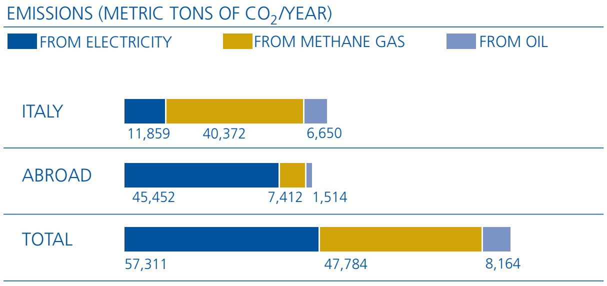
BREAKDOWN OF 2010 ADMINISTRATIVE EXPENSES BY CATEGORY

With the aim of guaranteeing greater efficiency and transparency in relations with its suppliers, during 2010 Intesa Sanpaolo continued to expand the e-sourcing platform to almost all product categories and to more Group companies than in the previous year. This tool enables tracking and management of all phases of negotiations: from the supplier selection process to organisation of the negotiation itself; from publication of the requisites of the bid to the invitations to tender issued to potential suppliers; from collection and analysis of the bids to the automated reports and announcements of the results. When registering on the Portal, in addition to viewing corporate documents, suppliers intending to become partners of the Bank are expected to respond to a "Social Responsibility Policy Questionnaire", from which the supplier's "sustainability profile" can be drawn up.
In 2010 approximately 2,000 suppliers were registered on the e-sourcing portal: 827 companies with a Quality Management System, 268 with an Environmental Management System, over 1,000 with a Health and Safety Management System in place and 424 meeting the social responsibility requirements of SA 8000 certification.
During the year the Bank also completed the pilot project for the "Purchase and Suppliers List Portal": a module-based platform that will also include a centralised suppliers list, the module for online procurement events, an area dedicated to correspondence with suppliers and a document archiving module. The development of this project provides for the classification of regular suppliers on the basis of economic, financial, technical and environmental sustainability parameters obtained from the Group's internal and external databases.
With regard to procurement, Intesa Sanpaolo's e-procurement platform has been in operation for several years, guaranteeing savings on various fronts and offering cost and materials optimisation through scrupulous replenishment handling. This procedure is a model of sustainable consumption, as it makes it possible to eliminate warehouses and inventories.
From the point of view of the Bank's CSR requisites for suppliers in the purchase of certain products, 2010 saw the extended use of technical sheets with low environmental impact energy efficiency parameters, or based on environment-friendly criteria, for procurement tenders involving technological material (desktop PCs, servers and LCD monitors), with the supply contracts attached.

Environment

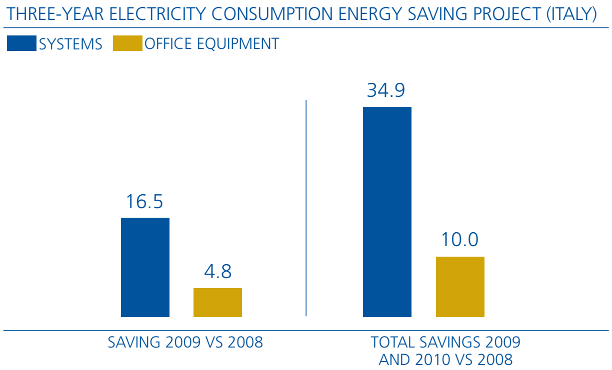
The Intesa Sanpaolo Group has for some time been committed to the prevention, management and reduction of environmental impact generated by either its own activities (direct impact) or those of customers and suppliers (indirect impact), through application of its Environmental Policy.
The Group's commitment in this sector revolves around the use of renewable source energy, the achievement of energy savings and gradual improvement in terms of energy efficiency, with a subsequent decrease in CO_2 emissions. The monitoring of such activities is performed by a dedicated Environmental Sustainability office, coordinated by the Group's Energy Manager, and by the Mobility Manager.
In 2010 the UNI EN ISO 14001-certified Environmental Management System was integrated with the Energy Management System with UNI CEI EN 16001 certification (the only bank in Italy to achieve this level of certification). The certified sites, now numbering 180 in line with the expansion plan, represent a significant sample spread at geographic level, through which the company conducts periodic audits to measure and manage the level of performance and quality indicators using integrated procedures.
The Group's electricity consumption in Italy represents approximately 19% of the credit and insurance sector's entire consumption.

Energy consumption by source (million kWh)	**Italy**	**Abroad**	**Total**
Heat energy	221.9	43.1	265.0
Electricity	507.8	110.3	618.1
Hydroelectric-powered electricity from renewable sources	*439.7*	*-*	*439.7*
Energy from other renewable sources	*29.3*	*0.1*	*29.4*
Cogeneration	*12.4*	*-*	*12.4*



Energy consumption by source (tep/1000)	Italy	Abroad	Total
Heat energy	19,096	3,714	22,810
Electricity	121,861	26,476	148,337

On all sites possible, the Intesa Sanpaolo Group uses energy from renewable sources for approximately 92.4% of its electricity consumption. At Group level the CO_2 emissions avoided each year are estimated to be 211,075 t, corresponding to around 65% of potential emissions.
Photovoltaic plants also came into use recently within the Group: one innovative type at a branch in Turin and two at branches of the Slovenian Banka Koper.
In Intesa Sanpaolo the energy savings, in addition to being the result of better management, are supported by in-depth studies beforehand into the various energy-related aspects, i.e. usage areas such as lighting, air conditioning/heating (depending on the geographic area, size and type of the plant) and office machines to monitor the related impact.
The total energy consumption recorded indicates a 6.12% decrease, equal to approximately 11,165 TOE. The savings in electricity consumption alone (the energy most used in the Group due to the high level of automation and widespread use of heat pumps and air conditioning) amounted to 3.28%. Significant savings in heat consumption can largely be attributed to the growing use of electrical heat pump systems, replacing the traditional boiler systems, to optimisation of office space and operating efficiency improvements.
The results of the first series of targeted optimisation action, applied to an area covered by the bank that affects approximately 83% of electricity consumption in Italy, achieved significant energy savings.



Among the more important of these actions is the gradual replacement of office machines with more energy-efficient versions, applying specific environment sustainability contractual terms on a wide scale (energy consumption, environmental aspects, electrical safety, etc.) according to current regulations and/or best practices. In addition, at night-time and weekends/holidays almost all branches apply a remote switch-off procedure for nearly all the PCs.
Renovated or newly-constructed sites are fitted out with a particular focus on energy saving. In addition to achieving significant energy savings, this action has led to the availability of 55% tax deductions, recognised for works to improve building energy performance and confirmed by related Energy Certificates. Moreover, through careful management and use of new lighting technologies 468 Bank sites recently fitted/upgraded (including 148 added in 2010) qualified for the European GreenLight Programme that certifies the Intesa Sanpaolo Group as one of the best performances in Europe.
The Group's internal consumption of paper in Italy involves a gradual expansion of the use of FSC certified and ECF/TCF (chlorine-free) certified ecological paper which now covers 66% of paper usage needs. Paper savings linked to extension of the initiatives for Online Reporting and the dematerialisation of printed documents provided to customers through outsourced services, have allowed the Group to avoid the consumption of a further 650 metric tones of paper, accompanied by more than 1,500 tons of CO_2 emissions avoided.

With regard to waste, a 15.1% decrease was recorded overall in Italy, and the outsourced service for the recycling of used toner cartridges now has an approximate 2.9% impact on total waste. The quantity of hazardous waste has also decreased dramatically, most of the decrease being generated (in the last three years) by the replacement of cathode tube monitors with "green" LCD monitors.
The overall costs incurred for environmental protection were around 60 million euro. Note that, 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.
In terms of staff training, the modular course "Ambientiamo" has been widely used, aiming to increase awareness not only in the office, but of the consequences of individual behaviour on the environment and providing information on the importance of recycling. Furthermore, Intesa Sanpaolo takes part each year in many sensitisation initiatives, for example RAI's Radio2 broadcast "M'illumino di meno" and the "World Environment Day", also through communication campaigns that target customers through the use of IT tools available on the ATM machines, the web site and at Branches.
The Mobility Management Department coordinates all aspects of mobility, studying solutions to satisfy business and personnel travel needs. These activities continued with the offer of integrated services to facilitate the use of sustainable travel systems, such as the Mobility Office, the Intranet application offering public transport subscriptions and services or bookings for the internal car pooling and car sharing service. Cooperation with the Public Administrations and their service providers, stimulated by presentation of the Home-to-Work Travel Plans, has led to a pilot project being implemented in Turin with review of the corporate shuttle-bus system which has integrated its own services with those of the public transport system in terms of interchange logic. Through these and other projects, some of which particularly innovative, the Group has achieved prestigious recognition at national and international level. Intesa Sanpaolo was the first bank in Europe to obtain European Commission recognition as Official Partner for the SEE Campaign and the first in 2007 to sign a cooperation agreement with the Italian Ministry of the Environment to intensify and increasingly strengthen cooperation in relation to energy savings and the promotion of renewable source energies in Italy.
With regard to activities to reduce our customers' environmental impact, in 2010 the financing proposals continued that target corporate, small business and private customers intending to invest in energy savings and renewable sources.
The Prestito Ecologico loan finances both the installation of photovoltaic panels and the purchase of environment-friendly vehicles, windows and fixtures, latest-generation boilers and environment-friendly electrical appliances. The introduction of a floating rate, that has allowed customers to benefit from the favourable market situation, the decrease in the fixed rate by more than 2 percentage points and the development of local and national partnerships with photovoltaic plant installers, during the year led to disbursements for approximately 172 million euro, compared to 7 million euro disbursed in 2009.
With reference to the small business segment, 236 "Energia Business" loans were disbursed for a total of around 37 million euro. In 2010 the first ESCO (Energy Service Companies) loan transactions were launched for various energy-related interventions, particularly public investments.
For businesses, 2010 saw the first disbursements of medium and long term loans for approximately 688 million euro in support of projects involving the use of photovoltaic panels, biomass plants, hydroelectric plants and energy efficiency-related action ("Fotovoltaico Imprese" and "Energia Imprese").
A considerable number of loans for plants producing renewable source energy were handled through Leasint, the Group's dedicated leasing company. During the year 417 contracts were signed for a total of 1,208 million euro.
In 2010 Intesa Sanpaolo continued its support in the agro-food, agro-industry and agro-energy sectors through Agriventure, the Group's know-how centre providing advisory services to such businesses. Agriventure activities are intrinsic to environmental protection issues, as companies in this sector are those mainly responsible for maintaining environmental balance and for the promotion of rural areas, so much so that the Bank's loans often integrate EU contributions for rural promotion purposes.
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.
The field of renewable energies is that focused upon by Banca IMI and BIIS, which take considerable action in the sector with project financing in Italy and abroad for photovoltaic, wind energy and hydroelectricity projects.
As part of the Corporate and Investment Banking Division, the Research Promotion Office's task is to develop innovative projects and services for corporate customers, also involving the clean tech sector. For example, through the Start Up Initiative a selection of particularly innovative start ups in the Clean Tech sector are presented to a series of investors, including corporate customers, who can manifest an interest in investing in the projects.
Another action in relation to renewables is that of Equiter, the Group company dedicated to equity investments in the environmental, infrastructure and utility sectors. Equiter provides specific support in the photovoltaic sector through Enerpoint Energy, a company that produces and markets photovoltaic energy, and Fondo PPP Italia which operates in the infrastructures sector according to the "Public-Private Partnership" model managed jointly by Equiter and Fondaco Sgr. Directly and through Fondo PPP Italia (subscribed to by third party investors), Equiter has invested approximately 35 million euro in photovoltaic plants (always minority interests) with a total installed capacity of close to 100 MW. In total, Equiter has made investments in renewable energies for around 70 million euro, including direct investments (14 million euro) and indirect investments through private equity funds (56 million euro). In addition Equiter has a line of investments in carbon credits through GICA (Green Initiative Carbon Assets), a financial instrument held by Equiter as a minority interest and specialised in the creation and marketing of emission rights as part of the European regulatory Emission Trading Scheme (ETS).
Lastly, with regard to the introduction of social and environmental criteria into lending activities, 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. In line with the Bank's commitments to both stakeholders and through the EPFI Association (Equator Principles Financial Institutions), in 2010 the interdepartmental activities of the working party, coordinated by the CSR Unit with and supported by a consulting firm chosen from among those accredited by the World Bank, have led to the issue of specific operating guidelines. 2010 saw the preparation of an additional training course for all staff expected to apply the principles in their day-to-day duties.

Community

Intesa Sanpaolo has always operated with a view to being a large Bank capable of serving and interpreting local needs. In 2010 the Bank enhanced its tools and its participation in many initiatives to promote social and cultural development, encourage cohesion and create value and wellbeing for the community, despite the economic crisis.

Banca Prossima is dedicated to serving the lay and religious non-profit sector, and its operations are solely to meet the needs of third sector businesses to promote financial inclusion and participate in the growth of the economy for the common good. Today, a little over three years since it opened for business, Banca Prossima has 11,500 customers and over 3.5 billion euro in loans and deposits, with an excellent credit quality (a 0.4% deterioration in credit quality compared to the national average of 5.5%). In addition to providing innovative services and products to the third sector, Banca Prossima actively continues operations through a special risk fund able to intervene for entities and projects normally with no access to credit: the "Fund for the Development of Social Enterprise". As at 31 December 2010 a total of 677 accounts were hedged, in relation to 508 counterparties for a total commitment of 51.1 million euro. Banca Prossima also uses an innovative credit risk assessment model for which Intesa Sanpaolo envisages validation as a specialist rating model for use throughout Italy. The Social and Community Enterprise Rating Model aims to match the social value of initiatives with their long-term sustainability to the benefit of people and the community. Experience in recent years, gathered into an extensive database, has allowed the development of an increasingly solid version of the Rating Model in both statistical and performance terms. In this respect, the role of Banca Prossima is strengthened in reference to its assigned market segment. To fully seize upon opportunities offered by the model, Banca Prossima (in 2010 in certain pilot areas, due for expansion to national level in 2011) became the only Banca dei Territori company able to assign a rating to a non-profit counterparty.

In 2010 Intesa Sanpaolo played a leading role in the CEI (Italian Episcopal Conference) and ABI's "Prestito della Speranza" initiative targeting support for families in difficulty through subsidised microcredit. The access requirements were changed recently, expanding upon those of 2009 and granting a greater number of families access to the Loan.

All Group Banks continued operations in 2010 in favour of social inclusion and to promote employment opportunities: these include the many microcredit activities set up in partnership with local Foundations and ONLUS associations.

As was the case last year, Intesa Sanpaolo maintained its support for projects and initiatives for social and economic development in its areas of operation through donations and sponsorships.

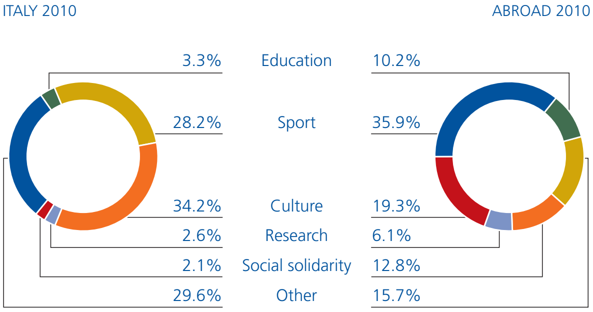
Donations made from the Intesa Sanpaolo charity fund were selected and authorised by the Bank's corporate bodies according to an annual plan distributing donations across the traditional areas of interest: social/environmental, cultural and religious/pure charity. This Plan, approved by the Supervisory Board, outlined lines of action to support the community based on fundamental references such as individuals, the community and the country. This to create a common thread uniting individual-related projects – especially the more socially fragile – with solidarity initiatives and common benefit services to reinforce the community's sense of "pulling together". In summary, this common thread aims always to privilege the social impact of projects supported, whatever the area of activity (social/environmental, religious/charity, cultural) of the proposal.

In addition, to guarantee the spirit intended by shareholders on setup of the Charity Fund, the Bank has only provided support for projects and initiatives, and not the normal business activities of applicants. The discriminating factor in the Bank's intervention in this sphere continues to be the concept of a complete gift. Again in 2010 the Charity Fund aimed to cover geographic areas of need not specifically covered by the "large" Foundations, developing a direct focus especially upon small and medium-sized organisations and projects targeting "social needs".

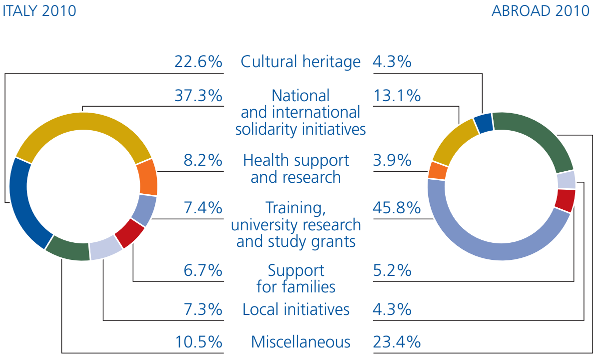
At international level the Bank has for five years continued its support for the Malawi Project, accompanied by action in favour of developing countries, with a preference for projects relating to co-development, the protection of biodiversity, basic education, health and solidarity for the poor and needy. Project Malawi is a humanitarian project set up jointly with Fondazione Cariplo with the aim of ensuring overall development prospects in one of the poorest countries in the world and contributing in the improvement of the general living conditions of the population. In 2010 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 the health, education, nutrition, prevention, aid to orphans and children at risk and the microfinance fields, continuing initiatives envisaged in the second 3-year project plan due to end in September 2011. Activities implemented in the Blantyre pilot district have progressed and the action has been extended to and consolidated in two new districts, Balaka and Lilongwe/Dowa. The synergies between partners have increased and strengthened. Cooperation with Institutions and the Local Government in favour of long-term sustainability of the aid has also continued.

Of considerable importance were Intesa Sanpaolo's activities concerning support, positive exploitation and promotion of culture and awareness, solidarity programmes and support for sports. The commitment in these fields is expressed both through initiatives designed and implemented independently and directly, and through partnerships and sponsorships in support of projects developed and promoted by third parties. These initiatives 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 in communities in which the Bank operates. The decision to participate in a wide range of fields aims to pursue various objectives: art, culture and music, particularly among the young, to promote and support cultural awareness as a common heritage through promotion and support for high-content initiatives to involve an increasingly wider public; financial awareness and education to disseminate information on economic and financial topics, especially to young people to help them become attentive citizens and contribute to their education in such a way as to develop their capacity to integrate into an increasingly multi-cultural society; research and innovation in favour of new economic and social development opportunities for the country; social and solidarity commitment to establish strong ties with the company and the local area and participation in high-value ethical and social activities; the promotion of sports to disseminate their ethical, social and educational value among young people alongside promotion of the Italian System at international level. All of these are accompanied by the sponsorship of institutional initiatives in cooperation with organisations and associations operating in the Italian economy so as to define strategic guidelines, plus support for local initiatives – jointly with local companies – to reinforce the Bank's ties with the communities in which it operates. Between donations and sponsorships, approximately 60.5 million euro was distributed in 2010.

SPONSORSHIPS TO THE VARIOUS AREAS OF ACTION (%)



BREAKDOWN OF DONATIONS (%)



Lastly, the key role of Intesa Sanpaolo in the cultural heritage sector was consolidated, accompanying activities to safeguard Italy's cultural heritage with that of protecting and promoting its own historic, artistic, architectural, editorial and documentary heritage by making them available to the public.
The project to protect, preserve and promote Intesa Sanpaolo's artistic heritage aims to encourage the enjoyment of a growing number of works of art by an increasingly wider public. This is based on the awareness that the preservation of works of art goes hand in hand with historical-critical study and research: many works were restored in 2010 (e.g. at "La Venaria Reale" Preservation and Restoration Centre restoration works began on ten large canvases stored at the old Oratory of the Compagnia di San Paolo in Turin) and work continued on cataloguing the approximately 1,300 works that belonged to Sanpaolo IMI. In addition, plans were launched to publish the catalogue of the Intesa Sanpaolo's collection of 20th century works (around 2,700 works of art including paintings, sculptures, collages, composite works, series, etc.), due for completion in 2011.
In respect and continuity of the long tradition of editorial initiatives promoted by banks that have joined the Group, the commitment continued in 2010 to implement and disseminate studies in art, music, history and economics.

Economic value generated and distributed

The economic value generated by the Intesa Sanpaolo Group[1] in 2010 was 15 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 and collaborators benefited from around 41% of the economic value generated, for a total of 6.1 billion euro. This item includes 29 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 20% of the economic value generated, for a total of 3 billion euro in payment for goods and services. This item includes integration costs amounting to 46 million euro (before tax);
- the government, organisations and institutions saw an inflow of resources amounting to 2 billion euro, around 13% of the economic value generated and for the most part referring to income taxes for the year. Group companies used 17 million euro to the benefit of the community, through the allocation of profits to charities and as donations and gifts;
- approximately 7% of the economic value generated was allocated to shareholders and minority interests, largely in terms of the proposed dividend, for a total of over 1.1 billion euro;
- the remaining 2.8 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.

Economic value	millions of euro	%
Economic value added	**14,955**	**100.0%**
Economic value distributed	**-12,197**	**81.6%**
Employees and collaborators	-6,089	40.8%
Suppliers	-3,041	20.3%
Government, Organisations and Institutions, Community	-1,963	13.1%
Shareholders and Minority interests	-1,104	7.4%
Economic value retained	**2,758**	**18.4%**

ECONOMIC VALUE ADDED IN 2010

[1] The economic value generated is calculated in accordance with ABI instructions, 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 no. 262.

OTHER INFORMATION

Shareholder base, stock price performance and other information

Shareholder base

As at 31 December 2010, 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. (**)	592,000,000	4.996%
Assicurazioni Generali	589,263,955	4.973%
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. (***)	376,688,882	3.179%
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 the extract of the commitments of Crédit Agricole to Intesa Sanpaolo, published on www.group.intesasanpaolo.com website.

(***) held as assets under management.

Stock price performance

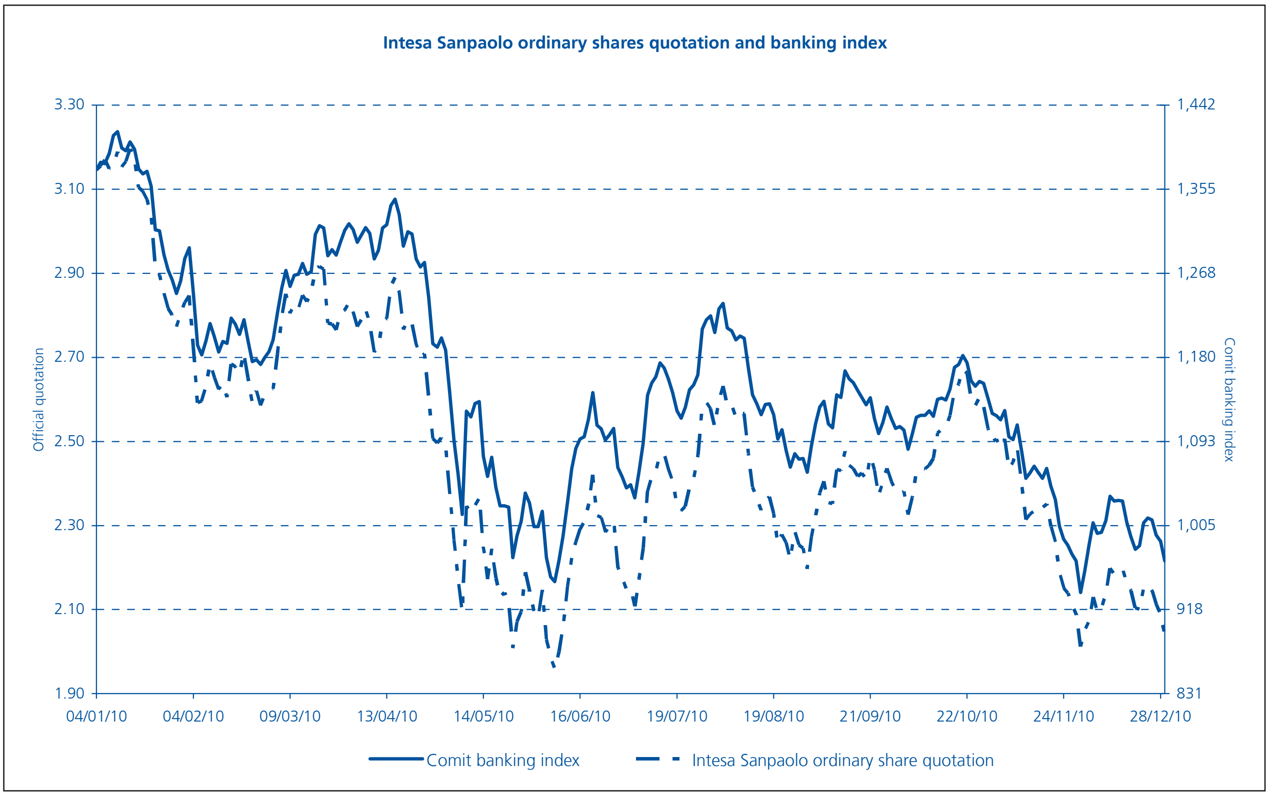
In 2010 the European banking industry was penalised by the sovereign debt crisis and concerns regarding the financial system's solidity and liquidity. The supporting measures taken by the countries most affected by the crisis only temporarily restored confidence early in the third quarter, as concerns re-emerged near the end of the year, with negative effects on indexes. The DJ Euro Stoxx Banks closed 2010 near a low, with a loss of 26.9%, 21 points below the DJ Euro Stoxx 50.

The Italian banking sector was penalised by tension surrounding government bonds to a greater degree: the applicable index underperformed the European average, closing 2010 down 32.2%.

In this scenario, the performance of Intesa Sanpaolo ordinary shares followed the trend shown by the banking industry indexes: a fall in the first two months of the year, followed by a cyclical performance until mid-April and a further fall until the beginning of June, when the low for the year was reached. The shares recovered partially until early August, then showed a cyclical performance until the end of October and a further decrease in the final two months of the year, bringing the price at year-end near the low for the year and 35.1% below the level at the beginning of 2010.

The price of Intesa Sanpaolo savings shares was down approximately 23.7% at the end of 2010 compared to the beginning of the year. The discount with respect to ordinary shares halved, falling to 12% from 25% at the beginning of the year.

At the end of 2010, Intesa Sanpaolo's capitalisation amounted to 25.9 billion euro, against 39.5 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 resolved upon 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.

	31.12.2010		31.12.2009	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	11,846,108,874	932,187,784	11,845,400,241	932,340,118
Income attributable to the various categories of shares *(millions of euro)*	2,498	207	2,578	227
Basic EPS (*euro*)	0.21	0.22	0.22	0.24
Diluted EPS (*euro*)	0.21	0.22	0.22	0.24

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.
For the Intesa Sanpaolo Group, the performance of the index – restated for 2010 on average figures for the year and at year-end – is influenced by the significant increase in shareholders' equity resulting from the merger between Intesa and Sanpaolo IMI and market trends.

(millions of euro)

	31.12.2010	2010	2009	2008	2007	2006
Market capitalisation	25,869	31,209	32,228	48,639	71,058	33,724
Shareholders' equity	53,533	53,107	50,818	50,256	51,558	17,435
Price / book value	**0.48**	**0.59**	**0.63**	**0.97**	**1.38**	**1.93**

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 indicator was 1%, since the net income for that year was allocated to strengthen the Group's capital base rather than for the distribution of dividends, except for savings shares, for which distribution is required by the Articles of Association.

(millions of euro)

	2010	2009	2008	2007	2006
Net income	2,705	2,805	2,553	7,250	2,559
Dividends (*)	1,033	1,033	24	4,867	4,867
Pay-out ratio	**38%**	**37%**	**1%**	**67%**	**190%**

(*) 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 strengthen the Group's capital base rather than distribute net income.

(in euro)

	2010	2009	2008	2007	2006
Ordinary share					
Dividend per share	0.080	0.080	0.000	0.380	0.380
Average stock price	2.479	2.569	3.834	5.579	4.903
Dividend yield	3.23%	3.11%	0.00%	6.81%	7.75%
Savings share					
Dividend per share	0.091	0.091	0.026	0.391	0.391
Average stock price	1.967	1.916	3.441	5.309	4.620
Dividend yield	4.63%	4.75%	0.76%	7.36%	8.46%

Ratings

On 23 April 2010, the international rating agency Standard & Poor's revised downwards the ratings assigned to Intesa Sanpaolo, to A+ from AA- for the long-term and to A-1 from A-1+ for the short-term, modifying the outlook from negative to stable. The ratings assigned by the other agencies are unchanged.

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

(*) Debt outlook is stable, financial strength outlook is negative.

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, note that:

- the list of Group companies and subsidiaries as at 31 December 2010 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 Member States;
- 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 article 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 (article 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 consolidated financial statements;
- as indicated in the Introduction to these financial statements, information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo pursuant to article 123-bis of the Consolidated Law on Finance is provided in a specific chapter of this Report and 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: www.group.intesasanpaolo.com;
- in a like manner, the public disclosure as at 31 December 2010 concerning Basel 2 Pillar 3 ("Pillar 3") contained in a special separate file may be consulted on the Bank's website at the address indicated above.

Corporate Governance

Intesa Sanpaolo adheres to Borsa Italiana's Corporate Governance Code, and its governance system, based on the dual management and control system, is in line with the principles contained therein (for which a report is provided, describing the adjustments deemed appropriate) and with the Consob recommendations on this matter, as well as, in general, with national and international best practices, which aim to ensure adequate distribution of responsibilities and powers through a proper balance of management and control functions.

The dual model

Intesa Sanpaolo adopts the dual management and control 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 Article 2409-octies and subsequent of the Italian Civil Code and Article 147-ter and subsequent of the Consolidated Law on Finance.

The decision to use the dual model - which is widespread in other countries of the European Union in large companies and in companies with widely-distributed shares and applied according to the specific local characteristics - is based on a number of reasons.

First of all, this model more clearly separates the functions of ownership and management, with the Supervisory Board acting as a filter between shareholders and the management body - namely the Management Board - and therefore appears to respond more effectively than the traditional model to the need for greater transparency and reduction of potential conflict of interest risk.

Furthermore, the role assigned by law to the Supervisory Board emphasises the distinction between the control function and the strategic guidelines on the one hand, and the management function on the other, permitting a clearer definition of the roles and responsibilities of the corporate bodies, also to ensure sound and prudent management of the Bank. In particular, the Supervisory Board, which takes on several of the powers typically assigned to the Shareholders' Meeting, functions of the board of statutory auditors and some of the "executive administration" powers, performs a broader steering and control function, also in terms of performance, with respect to management of the Company than that normally carried out by the board of statutory auditors.

The Shareholders' Meeting

The Shareholders' Meeting is the body deemed to represent all Shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all Shareholders, irrespective of their attendance or dissent.

At Intesa Sanpaolo, a company that has adopted the dual management and control model, the Shareholders' Meeting is amongst other things expected to resolve upon:

- appointment and removal of the Supervisory Board;
- responsibilities of members of the Supervisory Board and, without prejudice to the concurrent duties of the Supervisory Board, of members of the Management Board;
- allocation of net income;
- appointment and revocation of independent auditors;
- approval of financial statements unless approved by the Supervisory Board;
- transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting;
- approval of the remuneration policies for the Management Board Members and financial instrument-based plans.

The Supervisory Board

The Supervisory Board is composed of a minimum of 15 and a maximum of 21 members, including non-shareholders, appointed by the Shareholders' Meeting, who remain in office for three financial years.

Pursuant to the provisions of Article 23 of the Articles of Association, Intesa Sanpaolo's ordinary Shareholders' Meeting, held on 30 April 2010, appointed the Supervisory Board for the financial years 2010/2011/2012, with 19 members, appointing Giovanni Bazoli as Chairman and Mario Bertolissi and Elsa Fornero as Deputy Chairmen.

Pursuant to the Articles of Association, election of the supervisory body took place on the basis of lists of candidates with the integrity, professional and independence requisites envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital.

The Supervisory Board performs steering, strategic supervision and control duties. Therefore, in addition to the supervisory functions of the board of statutory auditors under the traditional management and control model, it is also charged with certain duties traditionally attributed to the Shareholders' Meeting, such as the appointment and removal of Management Board members, actions against members of the Management Board and approval of the financial statements. The Supervisory Board may represent to the Management Board its opinion, in order for relevant proposals to be drafted, with reference to significant strategic transactions.

In its meetings of 4 and 7 May 2010, the Supervisory Board established three internal Technical Committees, as envisaged by the Articles of Association:

- The Nomination Committee, which is responsible for selecting and proposing appointments to the Management Board;
- The Remuneration Committee, which is responsible for proposing and advising on remuneration, in accordance with law and the Articles of Association;
- The Control Committee, which proposes, advises and investigates on matters regarding internal control, risk management and the IT accounting system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Italian 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;

and two additional Technical Committees:

- The Strategy Committee, responsible for supporting the Supervisory Board and Chairman in examining proposals received from the Management Board on general programmes and strategic guidelines, business and/or financial plans, and strategic transactions;
- The Financial Statements Committee, which supports the Supervisory Board and Chairman in studying issues relating to preparation of the Parent Company's and consolidated financial statements, making, amongst other things, recommendations regarding approval of the financial statements and requesting for additional information and clarification to the Manager in charge of preparing the Company's financial reports and to the management bodies.

In the meeting of 26 November 2010, the Supervisory Board established the internal Related Party Transactions Committee, which is also responsible for providing a motivated opinion in the process for approval of the transactions in question.

The Management Board

The Management Board - in charge of managing the Company - is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed by the Supervisory Board, which determines their number at the time of appointment.
The Supervisory Board of 7 May 2010 determined the number of members to be 9, appointing Andrea Beltratti as Chairman, Marcello Sala as Senior Deputy Chairman and Giovanni Costa as Deputy Chairman. Corrado Passera was indicated as Managing Director and CEO (the Management Board appointed him in its meeting of 10 May 2010), and the Executive Board Members of the commissions were also identified. The Managing Director, appointed by the Management Board from among its members, is the only CEO with full powers.
The Management Board remains in office for three financial years, until the date of the Supervisory Board meeting called to approve the 2012 financial statements.
The Management Board is responsible for management of the company in compliance with the general programmes and strategic guidelines approved by the Supervisory Board. For this purpose, it takes all required actions deemed useful, necessary or appropriate to achieve the corporate purpose, relating to both the ordinary and extraordinary administration.

In its meeting of 14 May 2010, the Management Board established, in accordance with the Articles of Association, three specialised internal Commissions (the Business Plan and Extraordinary Transactions Commission, the Capital Adequacy and Financial Statements Commission and the Lending and Risks Commission), [consisting of executive Board Members appointed by the Supervisory Board] with preparatory and advisory duties aimed at making an active and systematic contribution to the exercise of management functions. A Coordinating Member was appointed for each Commission, responsible for organising and planning activities and ensuring the appropriate coordination with both the Chairman and Managing Director.

Head Office Departments

Intesa Sanpaolo's Head Office Departments are organised according to a model that is in line with international best practices in terms of Corporate Governance. The majority of Head Office Departments are structured under the following governance areas, reporting directly to the Managing Director and CEO:

Chief Operating Officer (COO)

The COO is responsible for:

- defining, in accordance with corporate strategies and objectives, the Group's organisational, IT, logistic, operational and security guidelines and policies, working with Intesa Sanpaolo Group Services;
- coordinating the implementation of said guidelines and policies by the relevant Group business units, and in other corporate departments as appropriate;
- verifying, through the appropriate control methods and in collaboration with Intesa Sanpaolo Group Services, compliance with the guidelines and policies in the aforementioned areas, ensuring, in accordance with the Business Plan, the achievement of cost synergies and excellent quality service.

Chief Financial Officer (CFO)

The CFO is responsible for:

- defining, in accordance with corporate strategies and objectives, the guidelines and policies in terms of research, planning, capital management, credit strategies, management control, financial statements, tax obligations, and relations with investors and rating agencies;
- facilitating value creation within the Group and ensuring the relative controls, through integrated monitoring of study and research activities, planning, management control and capital management, and optimisation of the financial and credit portfolios;
- coordinating the implementation of guidelines and policies on planning, capital management, management control, financial statements and tax obligations by the relevant Group business units, and in other corporate departments as appropriate;

- verifying the implementation of said guidelines and policies, also through monitoring of the Group's planning and capital management process, budget development and management control activities;
- ensuring the accurate and timely presentation of income statement and balance sheet results of the Bank and of the entire Group, as well as compliance with the relative accounting and supervisory obligations, performing quality control of the processes governing administrative and financial reporting disclosures to the market, pursuant to the appropriate regulations;
- verifying, through the appropriate control methods, compliance with the guidelines and policies defined and ensuring the pursuit of effectiveness and efficiency in the service level offered.

Chief Lending Officer (CLO)

The CLO is responsible for:
- making material lending decisions, or submitting them to the relevant Bodies, and supervising non-performing loans;
- coordinating the implementation of credit guidelines and policies by the relevant Bank and Group business units, and in other corporate departments as appropriate;
- participating, in accordance with the corporate strategies and objectives, in the definition of the Bank's and Group's guidelines in terms of lending strategy and credit risk acceptance and management, directly authorising pertinent matters;
- managing, monitoring and coordinating the recovery of Group positions classified as doubtful and not outsourced to external collection companies.

Chief Risk Officer (CRO)

The CRO is responsible for:
- consistent with corporate strategies and objectives, defining guidelines and policies on risk management, compliance and legal matters;
- coordinating the implementation of guidelines and policies on risk management, compliance and legal matters by the relevant Group business units, and in other corporate departments as appropriate;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the monitoring of credit quality and the observance of credit-related guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies;
- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and sensitisation as appropriate on regulations to the corporate departments.

The following are not part of the aforementioned governance areas:
- The ***Internal Auditing Department***, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board and is responsible for:
  - ensuring constant and independent auditing of the regular performance of Bank operations and processes for the purpose of preventing or identifying any anomalous or risky conduct or situation, assessing the overall operations of the internal control system and its adequacy in guaranteeing the effectiveness and efficiency of company processes, safeguarding asset value and loss protection, and the reliability and completeness of accounting and management reports, and the compliance of transactions with corporate governance policies and with internal and external regulations;
  - providing consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and organisation governance processes;
  - ensuring supervision of the internal control systems of the Group's subsidiaries, also by exercising governance of and providing guidelines to the respective internal audit departments;
  - supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

- The ***Corporate Affairs Department***, which reports to the Managing Director and CEO and to the Chairman of the Management Board, and is responsible for:
  - ensuring assistance and advice to the corporate bodies of the Parent Company and to Top Management in terms of proper implementation of corporate law and for the supervisory regulatory profiles at Group level;
  - providing assistance in all corporate transactions involving the Parent Company and Group companies;
  - handling the obligations connected to the corporate governance of all Group companies, Management Board operations and the shareholders' meeting;
  - ensuring that the Group's interests are safeguarded in all specifically assigned subsidiaries;
  - handling the Group's Corporate Relations, promoting and steering relations with Public Administration, with control and supervisory Authorities, with Trade and other associations and with international bodies.

- The ***External Relations Department***, which reports directly to the Managing Director and CEO, to the Chairman of the Management Board and to the Chairman of the Supervisory Board, and is responsible for:
  - managing and coordinating the Group's external communications, in order to promote competitiveness, quality and innovation with respect to the targets of the various business lines, uphold the Group's reputation with media and with the financial community and develop its image as perceived by opinion makers and Italian and foreign public opinion;
  - spreading the ethical, social and cultural values that form part of the Group's identity;
  - handling relations with the press and with media in general;
  - monitoring the perception of the group and the effectiveness of external communications.

- The ***Human Resources Department***, which reports to the Managing Director and CEO and is responsible for:
  - contributing, consistently with corporate strategies and objectives, to the definition of guidelines and policies on human resources of the Group;
  - managing internal communications initiatives aimed at encouraging the development of Group values and culture;
  - promoting the professional development of human resources through the planning, implementation and management of adequate systems and operating processes;
  - defining, in accordance with the Business Units and other Departments, the training guidelines and policies for the Group, monitoring their implementation;
  - ensuring, in accordance with the Business Units and other Departments, proper qualitative-quantitative coverage of required staff to achieve the strategic objectives of the Group;
  - defining the employment and trade union relations policies;
  - managing the pension aspects and employment-related disputes;
  - coordinating and handling administrative, accounting, tax and social security obligations for Group personnel;
  - coordinating the operations of the Human Resource units of the Departments, Business Units and Group Companies.

* * * * *

For a detailed description of Intesa Sanpaolo's Corporate Governance system, see the separate documents "Report on Corporate Governance and Ownership Structures", approved and published together with these financial statements and available for consultation under the "Governance" section of the Bank's website at: www.group.intesasanpaolo.com.

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 2011. The assumptions on which our valuations and forecasts are based with regards to the verification of the values of intangible assets and goodwill are described in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

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

Information on risks generally, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies 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 introductory section of this Report, namely that they are reasonably certain that the company will remain in operational existence for the foreseeable future and consequently have prepared the financial statements for 2010 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 2011

As stated in the macroeconomic analysis, 2011 should see consolidation of the economic recovery, albeit in an environment of fiscal restriction and growing inflationary pressure driven by the price hikes of commodities. These price rises might be exacerbated by the possible widening of the political tensions which are causing turmoil in the Middle East and North Africa, with negative repercussions on global economic growth. For the Eurozone, 2011 will also be crucial from the viewpoint of its ability to react to the investor confidence crisis. On a global level, a slight slowdown in economic growth is expected, the only exception being an acceleration by the large commodity exporters; the gradual return to pre-crisis activity level should continue. Italian economic growth is expected to maintain similar levels to 2010, and should be mostly driven by domestic demand.
Liquidity conditions in the euro market will continue to be favourable until the end of 2011; however, the decrease in excess reserves, the expected normalisation in auction procedures and the growing likelihood of a turn in the monetary policy cycle will drive money market rates upwards.
Against this background, bank rates and margins should remain relatively moderate in 2011. Gradual upward corrections of lending and funding rates are to be expected with normalisation of liquidity and the gradual recovery of monetary rates.
Consequently, the spread between the funding and lending rates should see a slight recovery in 2011 compared to 2010. As to margins on short-term activities, the mark-up should decrease in small steps, whereas the mark-down should continue to improve.
As to lending activity, the pickup in lending to businesses should strengthen. Mortgage loans to households for home purchase should continue their record a positive trend, driven by the relatively low interest rates. Overall, loans should grow at a moderate pace, on account of the following factors: low expected economic growth; still high, albeit slightly improving, unemployment; further occurrence of non-performing loans; attention to liquidity, funding and capital aspects, with a view to the introduction of more restrictive prudential rules.
Direct deposits will continue to play a key role for banks, also on account of the funding possibilities on the institutional market and the trends in the associated costs. Italian banks should continue to benefit from the good saving levels on the retail domestic market, albeit structurally lower than in the past. The growth in direct deposits is expected to slow down from 2010 and the previous years, as it will be impacted, amongst other things, by the gradual increase in the opportunity cost of holding liquid assets in an account, compared to the exceptionally low levels of 2009-2010, which should favour investment in securities by investors. For 2011, albeit with uncertainty margins linked to the performance of the financial markets, a slight recovery in inflows into mutual funds, which should benefit from market normalisation and from the investors' renewed interest in higher risk/yield investments. With regard to life assurance, the positive trends already under way should continue.

For the Intesa Sanpaolo Group, 2011 is the first year in the new multi-year Business Plan which will shortly be disclosed to the market. The Plan will provide details of guidelines for the management policies of the Intesa Sanpaolo Group over that timeframe. That will not alter the Group's continued focus on its key priority: to assure sustainable profitability in the medium term by developing long-lasting client relationships, fine-tuning cost control and investments while at the same time monitoring asset quality, liquidity and its capital base. In 2011, by comparison with 2010, the Group is expected to record a recovery in revenues, containment of operating costs, a decline in the cost of credit and, hence, recurring profitability growth.

The Management Board

Milano, 15 March 2011

INTESA SANPAOLO GROUP
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		31.12.2010	31.12.2009	Changes	
				amount	%
10.	Cash and cash equivalents	4,758	8,412	-3,654	-43.4
20.	Financial assets held for trading	71,899	69,825	2,074	3.0
30.	Financial assets designated at fair value through profit and loss	35,549	21,965	13,584	61.8
40.	Financial assets available for sale	61,612	35,895	25,717	71.6
50.	Investments held to maturity	3,839	4,561	-722	-15.8
60.	Due from banks	42,737	43,242	-505	-1.2
70.	Loans to customers	379,235	374,033	5,202	1.4
80.	Hedging derivatives	7,377	7,008	369	5.3
90.	Fair value change of financial assets in hedged portfolios (+/-)	92	69	23	33.3
100.	Investments in associates and companies subject to joint control	2,716	3,059	-343	-11.2
110.	Technical insurance reserves reassured with third parties	27	38	-11	-28.9
120.	Property and equipment	5,455	5,291	164	3.1
130.	Intangible assets	25,990	25,789	201	0.8
	of which				
	- goodwill	*19,217*	*18,838*	*379*	*2.0*
140.	Tax assets	8,733	7,320	1,413	19.3
	a) current	*2,759*	*2,072*	*687*	*33.2*
	b) deferred	*5,974*	*5,248*	*726*	*13.8*
150.	Non-current assets held for sale and discontinued operations	75	6,552	-6,477	-98.9
160.	Other assets	8,663	11,785	-3,122	-26.5
Total Assets		**658,757**	**624,844**	**33,913**	**5.4**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2010	31.12.2009	Changes	
				amount	%
10.	Due to banks	52,860	43,369	9,491	21.9
20.	Due to customers	221,064	210,814	10,250	4.9
30.	Securities issued	179,983	185,243	-5,260	-2.8
40.	Financial liabilities held for trading	45,045	42,249	2,796	6.6
50.	Financial liabilities designated at fair value through profit and loss	26,144	25,887	257	1.0
60.	Hedging derivatives	5,884	5,179	705	13.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,412	1,513	-101	-6.7
80.	Tax liabilities	3,269	2,965	304	10.3
	a) current	*661*	*841*	*-180*	*-21.4*
	b) deferred	*2,608*	*2,124*	*484*	*22.8*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
100.	Other liabilities	13,658	15,755	-2,097	-13.3
110.	Employee termination indemnities	1,370	1,374	-4	-0.3
120.	Allowances for risks and charges	3,280	3,420	-140	-4.1
	a) post employment benefits	*374*	*512*	*-138*	*-27.0*
	b) other allowances	*2,906*	*2,908*	*-2*	*-0.1*
130.	Technical reserves	50,188	23,582	26,606	
140.	Valuation reserves	-1,054	-430	624	
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	12,143	10,565	1,578	14.9
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-10	-8	2	25.0
210.	Minority interests (+/-)	1,067	1,090	-23	-2.1
220.	Net income (loss)	2,705	2,805	-100	-3.6
Total Liabilities and Shareholders' Equity		**658,757**	**624,844**	**33,913**	**5.4**

Consolidated income statement

(millions of euro)

	2010	2009	Changes	
			amount	%
10. Interest and similar income	17,500	19,607	-2,107	-10.7
20. Interest and similar expense	-6,879	-8,370	-1,491	-17.8
30. Interest margin	**10,621**	**11,237**	**-616**	**-5.5**
40. Fee and commission income	6,494	6,141	353	5.7
50. Fee and commission expense	-1,317	-1,186	131	11.0
60. Net fee and commission income	**5,177**	**4,955**	**222**	**4.5**
70. Dividend and similar income	490	479	11	2.3
80. Profits (Losses) on trading	243	855	-612	-71.6
90. Fair value adjustments in hedge accounting	-182	-41	141	
100. Profits (Losses) on disposal or repurchase of	229	316	-87	-27.5
a) loans	*-11*	*-16*	*-5*	*-31.3*
b) financial assets available for sale	*235*	*320*	*-85*	*-26.6*
c) investments held to maturity	-	-	-	
d) financial liabilities	*5*	*12*	*-7*	*-58.3*
110. Profits (Losses) on financial assets and liabilities designated at fair value	179	81	98	
120. Net interest and other banking income	**16,757**	**17,882**	**-1,125**	**-6.3**
130. Net losses / recoveries on impairment	-2,896	-3,711	-815	-22.0
a) loans	*-2,818*	*-3,448*	*-630*	*-18.3*
b) financial assets available for sale	*-79*	*-256*	*-177*	*-69.1*
c) investments held to maturity	-	-	-	
d) other financial activities	*1*	*-7*	*8*	
140. Net income from banking activities	**13,861**	**14,171**	**-310**	**-2.2**
150. Net insurance premiums	8,483	6,579	1,904	28.9
160. Other net insurance income (expense)	-9,050	-7,251	1,799	24.8
170. Net income from banking and insurance activities	**13,294**	**13,499**	**-205**	**-1.5**
180. Administrative expenses	-9,347	-9,615	-268	-2.8
a) personnel expenses	*-5,665*	*-5,788*	*-123*	*-2.1*
b) other administrative expenses	*-3,682*	*-3,827*	*-145*	*-3.8*
190. Net provisions for risks and charges	-401	-330	71	21.5
200. Net adjustments to / recoveries on property and equipment	-400	-413	-13	-3.1
210. Net adjustments to / recoveries on intangible assets	-738	-771	-33	-4.3
220. Other operating expenses (income)	528	519	9	1.7
230. Operating expenses	**-10,358**	**-10,610**	**-252**	**-2.4**
240. Profits (Losses) on investments in associates and companies subject to joint control	293	561	-268	-47.8
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	8	5	3	60.0
280. Income (Loss) before tax from continuing operations	**3,237**	**3,455**	**-218**	**-6.3**
290. Taxes on income from continuing operations	-1,155	-686	469	68.4
300. Income (Loss) after tax from continuing operations	**2,082**	**2,769**	**-687**	**-24.8**
310. Income (Loss) after tax from discontinued operations	694	169	525	
320. Net income (loss)	**2,776**	**2,938**	**-162**	**-5.5**
330. Minority interests	-71	-133	-62	-46.6
340. Parent Company's net income (loss)	**2,705**	**2,805**	**-100**	**-3.6**
Basic EPS - Euro	**0.21**	**0.22**		
Diluted EPS - Euro	**0.21**	**0.22**		

Statement of consolidated comprehensive income

(millions of euro)

		2010	2009	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**2,776**	**2,938**	**-162**	**-5.5**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	-532	1,130	-1,662	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	-36	-39	-3	-7.7
70.	Foreign exchange differences	-81	-120	-39	-32.5
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	23	28	-5	-17.9
110.	**Total other comprehensive income (net of tax)**	**-626**	**999**	**-1,625**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**2,150**	**3,937**	**-1,787**	**-45**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**69**	**151**	**-82**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**2,081**	**3,786**	**-1,705**	

Changes in consolidated shareholders’ equity as at 31 December 2010

(millions of euro)

	31.12.2010											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2010	**6,574**	**488**	**33,235**	**10,863**	**100**	**-419**	**-**	**-8**	**2,938**	**53,771**	*52,681*	*1,090*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves	**-**	**-**	**-**	**1,813**	**-**				**-1,813**	**-**	*-*	*-*
Dividends and other allocations [(a)]									**-1,125**	**-1,125**	*-1,043*	*-82*
CHANGES IN THE PERIOD												
Changes in reserves				**-211**	**-1**	**-**				**-212**	*-184*	*-28*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			-		**-**	-	-
Purchase of treasury shares	-	-		-				-2		**-2**	-2	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options					-					**-**	-	-
Other	26	-	-8	-	-					18	-	*18*
Total comprehensive income for the period						**-626**			**2,776**	**2,150**	*2,081*	*69*
SHAREHOLDERS’ EQUITY AS AT 31.12.2010	**6,600**	**488**	**33,227**	**12,465**	**99**	**-1,045**	**-**	**-10**	**2,776**	**54,600**	*53,533*	*1,067*
- Group	**6,162**	**485**	**33,102**	**12,044**	**99**	**-1,054**	**-**	**-10**	**2,705**	**53,533**		
- minority interests	**438**	**3**	**125**	**421**	**-**	**9**	**-**	**-**	**71**	**1,067**		

[(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 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 and charitable provisions of consolidated companies attributable to minority interests.

Consolidated statement of cash flows

(millions of euro)

	31.12.2010	31.12.2009
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**11,231**	**9,104**
- net income (+/-)	2,776	2,938
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	2,325	-684
- gains/losses on hedging activities (-/+)	182	41
- net losses/recoveries on impairment (+/-)	3,660	4,074
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,138	1,184
- net provisions for risks and charges and other costs/revenues (+/-)	547	588
- net insurance premiums to be collected (-)	-75	94
- other insurance revenues/charges to be collected (-/+)	4,449	3,464
- taxes and duties to be settled (+)	117	-1,006
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,888	-1,589
2. Cash flow from / used in financial assets	**-19,597**	**14,149**
- financial assets held for trading	-706	-9,271
- financial assets designated at fair value through profit and loss	-2,699	-1,898
- financial assets available for sale	-11,296	-6,814
- due from banks: repayable on demand	-925	2,333
- due from banks: other	1,455	10,795
- loans to customers	-7,371	19,931
- other assets	1,945	-927
3. Cash flow from / used in financial liabilities	**5,720**	**-26,803**
- due to banks: repayable on demand	5	-1,129
- due to banks: other	4,661	-7,247
- due to customers	9,339	-6,684
- securities issued	-5,305	-3,025
- financial liabilities held for trading	2,731	-3,621
- financial liabilities designated at fair value through profit and loss	-2,696	768
- other liabilities	-3,015	-5,865
Net cash flow from (used in) operating activities	**-2,646**	**-3,550**
B. INVESTING ACTIVITIES		
1. Cash flow from	**2,318**	**4,878**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	25	25
- sales/reimbursements of investments held to maturity	722	1,011
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	1,571	3,842
2. Cash flow used in	**-2,200**	**-700**
- purchases of investments in associates and companies subject to joint control	-404	9
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-554	-444
- purchases of intangible assets	-322	-265
- purchases of subsidiaries and business branches	-920	-
Net cash flow from (used in) investing activities	**118**	**4,178**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-2	3
- share capital increases	-	-
- dividend distribution and other	-1,125	-24
Net cash flow from (used in) financing activities	**-1,127**	**-21**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-3,655**	**607**
RECONCILIATION		
Cash and cash equivalents at beginning of period	8,412	7,835
Net increase (decrease) in cash and cash equivalents	-3,655	607
Cash and cash equivalents: foreign exchange effect	1	-30
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,758**	**8,412**

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 2010 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 2010 (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 2010.

IFRS in force since 2010

Regulation endorsement	Title
460/2009	IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
494/2009	Amendments to IAS 27 - Consolidated and Separate Financial Statements
495/2009	Amendments to IFRS 3 - Business Combinations
839/2009	IAS 39 - Eligible Hedged Items - Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
1136/2009	Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards
1142/2009	IFRIC 17 - Distributions of Non-cash Assets to Owners
1164/2009	IFRIC 18 - Transfers of Assets from Customers
243/2010	Improvements to IFRS:
	Amendments to: IFRS 2; IFRS 8; IAS 1; IAS 7; IAS 17; IAS 36; IAS 38; IAS 39; IFRIC 9; IFRIC 16
244/2010	Amendments to IFRS 2 - Share‑based Payment
550/2010	Amendments to IFRS 1 - Additional Exemptions for First-time Adopters

The most significant changes for the Consolidated financial statements of Intesa Sanpaolo are Regulations 494 and 495 amending IAS 27 (and also IAS 28: Investments in Associates and IAS 31: Interests in Joint Ventures) and IFRS 3 which made important changes to the European rules for business combinations and transactions involving equity interests. Moreover, in its 2009 Consolidated financial statements, the Intesa Sanpaolo Group had already elected for early application of IAS 27 revised (sale of Findomestic and Esaote). In the 2010 Consolidated financial statements, IFRS 3, as endorsed by Regulation 495, was used to recognise the acquisition of the residual 50% of Intesa Vita.
Through Regulation 244, the European Commission amended the text of IFRS 2: Share-based payments, currently in force, also repealing IFRIC 8: Scope of application of IFRS 2 and IFRIC 11: Group and treasury share transactions. The changes introduced by the Regulation relate to the recognition of share-based payment transactions among group entities in the separate financial statements of each group entity and in the consolidated financial statements. The application of the above Regulations to the 2010 Consolidated financial statements had no effect on the Intesa Sanpaolo Group.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2011.

IFRS applicable subsequent to 31 December 2010

Regulation endorsement	Title	Effective date
574/2010	Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters Amendments to IFRS 7 - Financial Instruments: Disclosures	01/01/2011 First financial year starting after 30/06/2010
632/2010	IAS 24 - Related Party Disclosures Amendments to IFRS 8 - Operating Segments	01/01/2011 First financial year starting after 31/12/2010
633/2010	Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	01/01/2011 First financial year starting after 31/12/2010
662/2010	IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards	01/01/2011 First financial year starting after 30/06/2010

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 compliance with the provisions of IFRS 5, the income statement for the year ended 31 December 2010 - 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. These are mainly related to the securities services business sold to State Street Corp in May 2010.

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 2009. No adjustments were required with respect to the figures presented in the financial statements.

The Attachments include specific reconciliations between financial statement forms and the reclassified statements included in the Report on operations accompanying these financial statements.

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 2010 and for 2009 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 for the year

The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
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 2010 and for 2009 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, holds directly or indirectly, 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 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 a 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 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.

With respect to the position as at 31 December 2009, the most significant change in the line-by-line scope of consolidation is the consolidation of Intesa Vita (previously 50%-owned and consolidated according to the equity method), following the completion of the acquisition of total control over such company.

In this respect, on 20 March 2009, the Board of Directors of Alleanza Assicurazioni (Generali Group) approved the exercise of the put option granted by Banca Intesa on 50% of Intesa Vita. After this transaction, Intesa Sanpaolo committed to acquire 100% of Intesa Vita, once the necessary authorisations had been obtained from the Italian Antitrust Authority. Following the approval of the transaction by said authority in September 2010, the closing of the transaction took place on 30 September. Therefore, Intesa Vita is consolidated on a line-by-line basis solely for balance sheet figures. Line-by-line consolidation for income statement figures began in the fourth quarter of 2010.

Moreover, IN.FRA - Investire nelle Infrastrutture (and its subsidiaries) was acquired. This is a vehicle set up to acquire an investment in the associate Concessionaria Autostrada Brescia-Verona-Vicenza-Padova (Serenissima). No figures were consolidated at income statement level since the acquisition took place in December 2010.

In June 2010, Banca CR Firenze purchased 50 branches of Banca Monte dei Paschi di Siena.

The most significant exclusions are the result of disposal of Intesa Sanpaolo Servizi Transazionali and Sanpaolo Bank Lux S.A., (both recognised under discontinued operations in the 2009 Consolidated financial statements), relating to the Securities Services business.

Several extraordinary intragroup transactions were also 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 recorded line by line in the individual financial statements of the companies involved, without recognition of any economic effect.
In this respect, the most significant transaction was that related to Fideuram Vita.
Eurizon Vita contributed the business line serving the Banca Fideuram and Sanpaolo Invest financial advisors’ networks to Fideuram Vita, set up by Eurizon Vita in January 2010 as part of a project to reorganise the Group's insurance business. On 19 March 2010, the Management Board of Intesa Sanpaolo approved the intragroup transfer, subsequent to the above business contribution, of the equity investment in Fideuram Vita. On 29 July 2010, Eurizon Vita transferred the equity investment to Intesa Sanpaolo (80.01%) and Banca Fideuram (19.99%). Again, being under common control, the transaction was simply recorded line by line in the individual financial statements of the purchasing companies.
With respect to segment reporting, Fideuram Vita was entirely allocated to the Banca Fideuram Division. Consequently, goodwill and other attributable intangible assets have been reclassified from the Banca dei Territori CGU to Banca Fideuram CGU.

Other minor intragroup transactions included: the merger by incorporation of Casse del Centro S.p.A. into Banca CR Firenze and the merger by incorporation of ZAO Banca Intesa Closed Joint Stock Company into KMB Bank, which changed its name to BANCA INTESA Closed Joint Stock Company.

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 2010.

Consolidated companies

Name		Registered office	Type of relationship (a)	Investment direct ownership	Investment % 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	Arten Sicav (d)	Luxembourg	4	EurizonLife	87.42	
4	B.I. Private Equity Ltd Capital Euro 100,000	Dublin	1	Private Equity International	100.00	
5	Banca C.R. Firenze Romania S.A. Capital RON 43,087,365	Bucharest	1	Cassa di Risparmio di Firenze	88.47	
6	Banca dell'Adriatico S.p.A. Capital Euro 272,652,000	Pesaro	1	Intesa Sanpaolo	100.00	
7	Banca di Credito Sardo S.p.A. Capital Euro 258,276,569.35	Cagliari	1	Intesa Sanpaolo	100.00	
8	Banca di Trento e Bolzano S.p.A. (e) Capital Euro 65,915,704.40	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	23.33 54.24 77.57	
9	Banca Fideuram S.p.A. Capital Euro 186,255,207.16	Roma	1	Intesa Sanpaolo	100.00	
10	Banca IMI S.p.A. Capital Euro 962,464,000	Milano	1	Intesa Sanpaolo	100.00	
11	Banca Imi Securities Corp Capital Usd 44,500,000	New York	1	Imi Capital Markets USA Corp.	100.00	
12	Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346,300,000	Roma	1	Intesa Sanpaolo	100.00	
13	Banca Intesa (Closed Joint-Stock Company) (formerly KMB Bank) (o) Capital RUB 10,820,180,800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98 86.74	
14	Banca Intesa a.d., Beograd (f) Capital RSD 18,477,400,000	Novi Beograd (New Belgrade)	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
15	Banca Prossima S.p.A. Capital Euro 80,000,000	Milano	1	Intesa Sanpaolo	100.00	
16	Banco di Napoli S.p.A. Capital Euro 1,000,000,000	Napoli	1	Intesa Sanpaolo	100.00	
17	Bank of Alexandria S.A.E. (g) Capital EGP 800,000,000	Cairo	1	Intesa Sanpaolo	80.00	70.25
18	Banka Koper d.d. (h) Capital Euro 22,173,218.16	Capodistria	1	Intesa Sanpaolo	97.47	
19	Brivon Hungary Zrt Capital HUF 5,000,000	Budapest	1	Recovery Real Estate Management	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	Forlì	1	Intesa Sanpaolo	76.43	
22	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210,263,000	Gorizia	1	Intesa Sanpaolo	100.00	
23	Cassa di Risparmio del Veneto S.p.A. Capital Euro 781,169,000	Padova	1	Intesa Sanpaolo	100.00	
24	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
25	Cassa di Risparmio della Spezia S.p.A. Capital Euro 98,155,000	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	Ascoli Piceno	1	Cassa di Risparmio di Firenze	66.00	
27	Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23,750,000	Città di Castello	1	Cassa di Risparmio di Firenze	82.19	
28	Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34,505,380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	

Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
29 Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828,836,017	Firenze	1	Intesa Sanpaolo	89.71	
30 Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820	Foligno	1	Cassa di Risparmio di Firenze	70.53	
31 Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141,987,825	Pistoia	1	Cassa di Risparmio di Firenze	58.84	60.00
32 Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291	Rieti	1	Cassa di Risparmio di Firenze	85.00	
33 Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42,489,053	Spoleto	1	Cassa di Risparmio di Firenze	60.13	
34 Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21,000,000	Terni	1	Cassa di Risparmio di Firenze	75.00	
35 Cassa di Risparmio di Venezia S.p.A. Capital Euro 284,536,000	Venezia	1	Intesa Sanpaolo	100.00	
36 Cassa di Risparmio in Bologna S.p.A. Capital Euro 696,692,000	Bologna	1	Intesa Sanpaolo	100.00	
37 Centro Factoring S.p.A. Capital Euro 25,200,000	Firenze	1	Cassa di Risparmio di Firenze Centro Leasing 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	
38 Centro Leasing S.p.A. Capital Euro 155,020,051.50	Firenze	1	Cassa di Risparmio di Firenze Leasint	30.10 58.09 88.19	
39 Centrovita Assicurazioni S.p.A. Capital Euro 52,000,000	Firenze	1	Intesa Sanpaolo	100.00	
40 Cib Bank Ltd Capital HUF 105,000,000,000	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	93.48 6.52 100.00	
41 CIB Car Trading Ltd Capital HUF 10,000,000	Budapest	1	Recovery Real Estate Management	100.00	
42 CIB Credit Ltd Capital HUF 50,000,000	Budapest	1	CIB Leasing CIB Real Estate	98.00 2.00 100.00	
43 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	
44 CIB Insurance Broker Ltd Capital HUF 10,000,000	Budapest	1	CIB Leasing	100.00	
45 CIB Investment Fund Management Ltd Capital HUF 600,000,000	Budapest	1	Cib Bank CIB REAL Property Utilisation and Services	94.98 5.02 100.00	
46 CIB Leasing Holding Limited Liability Company Capital HUF 500,000	Budapest	1	Cib Bank	100.00	
47 CIB Leasing Ltd Capital HUF 50,000,000	Budapest	1	CIB Rent Operative Leasing	100.00	
48 CIB New York Broker Zrt under voluntary dissolution Capital HUF 20,025,000	Budapest	1	Cib Bank	100.00	
49 CIB Property Ltd Capital HUF 52,000,000	Budapest	1	CIB Leasing	100.00	
50 CIB Real Estate Ltd Capital HUF 51,000,000	Budapest	1	Cib Bank	100.00	
51 CIB REAL Property Utilisation and Services Ltd Capital HUF 50,000,000	Budapest	1	Cib Bank CIB Support	51.68 48.32 100.00	
52 CIB Rent Operative Leasing Ltd Capital HUF 800,000,000	Budapest	1	Cib Bank	100.00	
53 CIB Residential Property Leasing Ltd Capital HUF 50,020,000	Budapest	1	CIB Leasing	100.00	
54 CIB Support Ltd Capital HUF 50,000,000	Budapest	1	Cib Bank	100.00	
55 CIL Buda Square Ltd Capital HUF 500,000	Budapest	1	Recovery Real Estate Management	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
56	Cimabue Sicav (d)	Luxembourg	4	EurizonLife	100.00	
57	Compagnia Italiana Finanziaria - CIF S.r.l. Capital Euro 110,334,078.23	Milano	1	IN.FRA - Investire nelle Infrastrutture	52.54	
58	Consumer Finance Holding a.s. Capital Euro 53,110,277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
59	DB Platinum II Sicav (d)	Luxembourg	4	Eurizon Vita	100.00	
60	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
61	Epsilon Associati SGR S.p.A. Capital Euro 5,200,000	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
62	Equiter S.p.A. Capital Euro 150,000,000	Torino	1	Intesa Sanpaolo	100.00	
63	Eurizon A.I. SGR S.p.A. Capital Euro 4,420,000	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
64	Eurizon Capital S.A. Capital Euro 7,557,200	Luxembourg	1	Eurizon Capital SGR	100.00	
65	Eurizon Capital S.G.R. S.p.A. Capital Euro 95,010,000	Milano	1	Intesa Sanpaolo	100.00	
66	Eurizon Investment Sicav	Luxembourg	4	Centrovita Assicurazioni Intesa Vita SudPolo Vita EurizonLife	1.56 51.41 15.06 31.42 99.45	
67	Eurizon Vita S.p.A. Capital Euro 295,322,508	Torino	1	Intesa Sanpaolo	99.96	
68	EurizonLife Ltd Capital Euro 625,000	Dublin	1	Eurizon Vita	100.00	
69	EurizonTutela S.p.A. Capital Euro 27,912,258	Torino	1	Eurizon Vita	100.00	
70	Euro-Tresorerie S.A. Capital Euro 250,038,322.20	Paris	1	Financière Fideuram	100.00	
71	Fideuram Asset Management (Ireland) Ltd Capital Euro 1,000,000	Dublin	1	Banca Fideuram	100.00	
72	Fideuram Bank (Suisse) S.A. Capital CHF 15,000,000	Lugano	1	Fideuram Bank Luxembourg	100.00	
73	Fideuram Bank Luxembourg S.A. Capital Euro 30,000,000	Luxembourg	1	Banca Fideuram	100.00	
74	Fideuram Fiduciaria S.p.A. Capital Euro 1,551,000	Roma	1	Banca Fideuram	100.00	
75	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	66.77 2.53 69.30	
76	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	83.56 0.09 83.65	
77	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	60.55 1.57 62.12	
78	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	93.96 0.11 94.07	
79	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	95.48 3.48 98.96	
80	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	95.12 3.83 98.95	
81	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	78.34 1.07 79.41	
82	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	56.70 2.21 58.91	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
83	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	80.14	
				Eurizon Vita	1.87	
					82.01	
84	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita	87.20	
				Eurizon Vita	2.00	
					89.20	
85	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita	54.41	
				Eurizon Vita	3.15	
					57.56	
86	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita	75.35	
				Eurizon Vita	1.73	
					77.08	
87	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	78.16	
				Eurizon Vita	1.64	
					79.80	
88	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita	96.22	
				Eurizon Vita	3.19	
					99.41	
89	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	95.41	
				Eurizon Vita	3.70	
					99.11	
90	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	91.02	
				Eurizon Vita	1.27	
					92.29	
91	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	67.34	
				Eurizon Vita	4.74	
					72.08	
92	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	74.49	
				Eurizon Vita	5.51	
					80.00	
93	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	69.15	
				Eurizon Vita	5.51	
					74.66	
94	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Fideuram Vita	97.74	
95	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Fideuram Vita	98.30	
96	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	99.63	
97	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	99.73	
98	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	99.82	
99	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
111	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
112	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
113	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
114	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
115	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
116	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
117	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	
118	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
119	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
120	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
121	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
122	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
123	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
124	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	
	Capital Euro 10,000,000			Fideuram Vita	0.06	
					100.00	
125	Fideuram Investimenti S.G.R. S.p.A.	Milano	1	Banca Fideuram	99.50	
	Capital Euro 25,850,000					
126	Fideuram Vita S.p.A.	Roma	1	Intesa Sanpaolo	80.01	
	Capital Euro 356,946,836			Banca Fideuram	19.99	
					100.00	
127	Financière Fideuram S.A.	Paris	1	Banca Fideuram	100.00	
	Capital Euro 346,761,600					
128	Finanziaria B.T.B. S.p.A.	Trento	1	Intesa Sanpaolo	99.29	
	Capital Euro 56,832,921.60					
129	Finor Leasing d.o.o.	Koper	1	Banka Koper	100.00	
	Capital Euro 2,044,700					
130	Focus Rendimento Assoluto 5 Anni (d)	Milano	4	Eurizon Capital SGR	65.38	
131	Fondo Caravaggio Sicav (d)	Luxembourg	4	EurizonLife	100.00	
132	Fondo Bond Eur Long Term (d)	Luxembourg	4	EurizonLife	31.38	
				Centrovita Assicurazioni	1.89	
				Sud Polo Vita	8.61	
				Intesa Vita	13.24	
				Eurizon Vita	1.36	
					56.48	
133	Fondo Bond Eur Short Term (d)	Luxembourg	4	EurizonLife	29.08	
				Centrovita Assicurazioni	1.40	
				Sud Polo Vita	8.84	
				Intesa Vita	17.35	
				Eurizon Vita	1.98	
					58.65	
134	Fondo Bond GBP (d)	Luxembourg	4	EurizonLife	30.21	
				Centrovita Assicurazioni	16.73	
				Intesa Vita	16.62	
				Sud Polo Vita	11.71	
				Eurizon Vita	2.93	
					78.20	
135	Fondo Bond JPY (d)	Luxembourg	4	EurizonLife	38.14	
				Centrovita Assicurazioni	4.14	
				Sud Polo Vita	14.51	
				Intesa Vita	20.60	
				Eurizon Vita	0.59	
					77.98	
136	Fondo Bond USD (d)	Luxembourg	4	EurizonLife	34.64	
				Centrovita Assicurazioni	3.53	
				Sud Polo Vita	12.44	
				Intesa Vita	18.09	
				Eurizon Vita	0.45	
					69.15	
137	Fondo Flexible Strategy (d)	Luxembourg	4	Eurizon Vita	66.57	
				Fideuram Vita	33.43	
					100.00	
138	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	Eurizon Vita	63.62	
				Fideuram Vita	30.46	
					94.08	
139	Hayez Sicav	Luxembourg	4	EurizonLife	100.00	
140	IMI Capital Markets USA Corp.	New York	1	IMI Investments	100.00	
	Capital USD 5,000					
141	IMI Finance Luxembourg S.A.	Luxembourg	1	IMI Investments	100.00	
	Capital Euro 100,000					
142	IMI Fondi Chiusi S.G.R. S.p.A.	Bologna	1	IMI Investimenti	100.00	
	Capital Euro 2,000,000					
143	IMI Investimenti S.p.A.	Bologna	1	Intesa Sanpaolo	100.00	
	Capital Euro 579,184,200					
144	IMI Investments S.A.	Luxembourg	1	Banca IMI	100.00	
	Capital Euro 21,660,000					
145	Immobiliare Nuova Sede S.r.l.	Firenze	1	Cassa di Risparmio di Firenze	100.00	
	Capital Euro 51,480					

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
146	IN.FRA - Investire nelle Infrastrutture S.p.A. (p) Capital Euro 71,980,285.40	Milano	1	Intesa Sanpaolo	84.68	
147	Infogroup S.c.p.A. Capital Euro 4,352,000	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e Pescia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				altre quote minori	0.02	
					100.00	
148	Iniziative Logistiche S.r.l. Capital Euro 44,377,076.66	Milano	1	IN.FRA - Investire nelle Infrastrutture	54.78	
149	Intesa Funding LLC Capital USD 10,000	Wilmington	1	Intesa Sanpaolo	100.00	
150	Intesa Global Finance Company Ltd Capital Euro 100,000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
151	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000	Milano	1	Intesa Sanpaolo	100.00	
152	Intesa Lease Sec S.r.l. Capital Euro 60,000	Milano	1	Intesa Sanpaolo	60.00	
153	Intesa Leasing d.o.o. Beograd Capital RSD 960,374,301	Beograd	1	Banca Intesa Beograd	98.70	
				CIB Leasing	1.30	
					100.00	
154	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Intesa Sanpaolo	100.00	
155	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5,562,517,674	Tirana	1	Intesa Sanpaolo	92.22	100.00
156	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400,500,000	Dublin	1	Intesa Sanpaolo	100.00	
157	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44,782,000	Sarajevo	1	Intesa Sanpaolo Holding International	87.46	
158	Intesa Sanpaolo Card BH D.O.O. (formerly Centurion Financial Services Ltd) Capital BAM 1,049,126.50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
159	Intesa Sanpaolo Card d.o.o. - Ljubljana (formerly Centurion Financne Storitve) Capital Euro 5,618,761	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
160	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30,863,400	Zagreb	1	Banka Koper	15.34	
				Privredna Banka Zagreb	33.34	
				Intesa Sanpaolo Holding International	51.32	
					100.00	
161	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272,057,000	Torino	1	Intesa Sanpaolo	99.87	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				altre quote minori	0.08	
					100.00	
162	Intesa Sanpaolo Holding International S.A. Capital Euro 4,911,412,142	Luxembourg	1	Intesa Sanpaolo	100.00	
163	Intesa Sanpaolo Immobilière S.A. Capital Euro 250,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
164	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A.(formerly Intesa Previdenza SIM S.p.A.) Capital Euro 15,300,000	Milano	1	Intesa Sanpaolo	78.53	
165	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20,000,000	Lugano	1	Société Européenne de Banque	100.00	
166	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 105,313,200	Milano	1	Intesa Sanpaolo	100.00	
167	Intesa Sanpaolo Real Estate S.A. Capital Euro 2,940,476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
168	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 376,111,110	Arad	1	Intesa Sanpaolo	99.50	
				Intesa Sanpaolo Holding International	0.50	
					100.00	
169	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1,032,000	Milano	1	Intesa Sanpaolo	100.00	
170	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Intesa Sanpaolo	60.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
171	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	60.00	
172	Intesa Sec. Npl S.p.A. Capital Euro 129,000	Milano	1	Intesa Sanpaolo	60.00	
173	Intesa Sec. S.p.A. Capital Euro 100,000	Milano	1	Intesa Sanpaolo	60.00	
174	Intesa Vita S.p.A. Capital Euro 394,226,300	Milano	1	Intesa Sanpaolo	100.00	
175	IntesaBci Preferred Capital Company LLC (m) Capital Euro 11,000,000	Wilmington	1	Intesa Sanpaolo	100.00	
176	IntesaBci Preferred Securities Investor Trust Capital Euro 1,000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
177	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7,941,112.83	Lima	1	Intesa Sanpaolo	99.40	
178	ISP CB Ipotecario S.r.l. Capital Euro 120,000	Milano	1	Intesa Sanpaolo	60.00	
179	ISP CB Pubbico S.r.l. Capital Euro 120,000	Milano	1	Intesa Sanpaolo	60.00	
180	KMB - Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000	Moscow	1	Banca Intesa (Closed Joint-Stock Company)	100.00	
181	Leasint S.p.A. Capital Euro 172.043.500	Milano	1	Intesa Sanpaolo	100.00	
182	Levanna Sicav (d)	Luxembourg	4	EurizonLife	100.00	
183	Lima Sudameris Holding S.A. in liquidation Capital PEN 172,384,709.03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
184	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	
185	Lux Gest Asset Management S.A. Capital Euro 200,000	Luxembourg	1	Société Européenne de Banque	100.00	
186	Medimurska Banka d.d. Capital HRK 127,900,000	Čakovec	1	Privredna Banka Zagreb	100.00	
187	Mediocredito Italiano S.p.A. Capital Euro 572,043,495	Milano	1	Intesa Sanpaolo	100.00	
188	Mediofactoring S.p.A. Capital Euro 220,000,000	Milano	1	Intesa Sanpaolo	100.00	
189	Moneta S.p.A. Capital Euro 109,830,000	Bologna	1	Intesa Sanpaolo	100.00	
190	Neos Finance S.p.A. Capital Euro 142,518,306	Bologna	1	Intesa Sanpaolo	100.00	
191	Obudai Dunapart Office Building Center Ltd Capital HUF 2,330,000,000	Budapest	1	Recovery Real Estate Management	100.00	
192	PBZ Card d.o.o. Capital HRK 43,422,200	Zagreb	1	Privredna Banka Zagreb	100.00	
193	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
194	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
195	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
196	PBZ Stambena Stedionica d.d. Capital HRK 115,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
197	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 905,741,101.62	Kiev	1	Intesa Sanpaolo	100.00	
198	Private Equity International S.A. Capital Euro 251,125,360	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
199	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
200	RE Consult Infrastrutture S.p.A. Capital Euro 66,200,000	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
201	Recovery a.s. Capital Euro 33,200	Bratislava	1	Vseobecna Uverova Banka	100.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
202	Recovery Real Estate Management Ltd Capital HUF 3,000,000	Budapest	1	Cib Bank	100.00	
203	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
204	Sanpaolo International Formulas Fund (d)	Luxembourg	4	EurizonLife	100.00	
205	Sanpaolo Invest Ireland Ltd Capital Euro 500,000	Dublin	1	Banca Fideuram	100.00	
206	Sanpaolo Invest SIM S.p.A. Capital Euro 15,264,760	Roma	1	Banca Fideuram	100.00	
207	Servitia S.A. Capital Euro 1,500,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
208	Setefi S.p.A. Capital Euro 8,450,000	Milano	1	Moneta	100.00	
209	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2,600,000	Milano	1	Intesa Sanpaolo	100.00	
210	Société Européenne de Banque S.A. Capital Euro 45,000,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
211	SP Lux Sicav II (d)	Luxembourg	4	EurizonLife	93.90	
212	Split 2 S.r.l. (n)	Conegliano	4	Leasint	-	
213	SPQR II S.r.l. (k)	Conegliano	4	Banca Infrastrutture Innovazione e Sviluppo	-	
214	Sud Polo Vita S.p.A. Capital Euro 84,464,122.20	Torino	1	Intesa Sanpaolo Eurizon Vita	98.79 1.19 99.98	
215	Sudameris S.A. Capital Euro 49,671,600	Paris	1	Intesa Sanpaolo Holding International	99.87	
216	Tiepolo Sicav (d)	Luxembourg	4	EurizonLife	100.00	
217	Vseobecna Uverova Banka a.s. Capital Euro 430,819,063.81	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
218	VUB Asset Management Sprav. Spol a.s. Capital Euro 1,660,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
219	VUB Factoring a.s. Capital Euro 2,232,334	Bratislava	1	Vseobecna Uverova Banka	100.00	
220	VUB Leasing a.s. Capital Euro 16,600,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
221	VUB Poistovaci Makler s.r.o. Capital Euro 16,597	Bratislava	1	VUB Leasing	100.00	

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

(b) Available voting rights at Ordinary Shareholders' Meeting. Voting rights are presented only if other than the equity stake held in the company's capital.
(c) Company for which the Group holds the majority of risks and benefits (SIC 12).
(d) Collective investment entity in which the Group holds the majority of risks and benefits (SIC 12).
(e) Please note that there is a put option sold/call option purchased from minority shareholders on 8.72% of share capital.
(f) Please note that there is a put option sold/call option purchased from minority shareholders on 7% of share capital.
(g) In March 2009, 9.75% of the share capital of Bank of Alexandria (BOA) was sold to International Finance Corporation (IFC) with the concurrent signing by the parties of a Put&Call Agreement covering the portion sold by Intesa Sanpaolo. It should be noted that, based on the contractual clauses underlying the transaction and failing to meet IFRS recognition criteria, the percentage of equity investment includes the portion sold, while voting rights were transferred to the buyer.
(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.53% of share capital.
(i) Please note that there is a put option sold from minority shareholders on 10.29% of share capital.
(j) Please note that there is a put option sold/call option purchased from minority shareholders on 32.90% of ordinary shares.
(k) Company for which the Group holds the majority of risks and benefits (SIC 12); the group does not hold any equity stake in the share capital.
(l) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A. there are Potential Voting Rights on 9.17% of the capital due to a call option held by Intesa Sanpaolo on 7.78% of the capital, exercised in January 2011, plus 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.
(m) Considering the “preferred shares” issued for a total of 500,000,000 euro the equity stake equals 2.15%.
(n) SDS - Società a Destinazione Specifica (special purpose entity) for the securitisation of leasing loans (pursuant to Law 130 of 30 April 1999) (SIC 12); the group does not hold any equity stake in the share capital.
(o) Please note that there is a put option sold/call option purchased from minority shareholders on 13.25% of share capital.
(p) Please note that there is a put option sold/call option purchased from minority shareholders on 15.32% of share capital.

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 the 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 without prejudice to 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 consolidation of companies subject to joint control and 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

No significant events took place after year end.

However, the first few months of the year were marked by a significant development of the placement of bond issues targeted to international markets and institutional investors.

In January, Intesa Sanpaolo launched a 750 million euro eurobond issue targeted at international markets under the Intesa Sanpaolo 5-year, fixed rate Euro Medium Term Notes Programme.
The coupon, payable annually in arrears on 14 January of each year from and including 14 January 2012 up to the maturity date, is equal to 4.125%. Considering its 99.597% re-offer price, the yield to maturity is 4.216% per annum and the total spread for the investor is equal to the 5-year mid swap rate plus 175 basis points.
Covered bonds of 1.5 billion euro were issued on the Euromarket. It is a ten-year, fixed rate issue under the 10 billion euro Programme backed by public sector loans sold by Banca Infrastrutture Innovazione e Sviluppo. The coupon, payable annually in arrears on 27 January of each year from and including 27 January 2012 up to the maturity date, is equal to 5%. Considering its 99.369% re-offer price, the yield to maturity is 5.082% per annum and the total spread for the investor is equal to the 10-year mid swap rate + 180 basis points.
Again in January, Intesa Sanpaolo launched a 1.5 billion eurobond issue targeted at international markets, under the Intesa Sanpaolo 2-year, fixed rate Euro Medium Term Notes Programme. The coupon, payable annually in arrears on 1 February of each year from and including 1 February 2012 up to the maturity date, is equal to 3.25%. Considering its 99.89% re-offer price, the yield to maturity is 3.308% per annum and the total spread for the investor is equal to the two-year mid swap rate + 140 basis points.
Covered bonds of 2.5 billion euro were issued on the Euromarket in February. It is a five-and-a-half year, fixed rate issue under the 20 billion euro Covered Bond Programme backed by mortgages sold by Intesa Sanpaolo. The assets in the initial cover pool consist of triple-A-rated RMBSs backed by residential mortgages originated by Intesa Sanpaolo. The coupon, payable annually in arrears on 16 August of each year from and including 16 August 2011 up to the maturity date, is equal to 4.375%. Considering its 99.875% re-offer price, the yield to maturity is 4.406% per annum and the total spread for the investor is equal to the interpolation between the 5-year mid swap and the 6-year mid swap rates + 150 basis points.
All the above issues were placed with institutional investors and international financial intermediaries and are listed on the Luxembourg Stock Exchange and, as usual, traded on the over-the-counter market.

In February, Intesa Sanpaolo launched a dual tranche senior bond issue targeted exclusively at U.S. market Qualified Institutional Buyers ("QIBs") for a total amount of 3 billion dollar. This dual tranche is composed of two bonds issued under the U.S.$ Medium Term Notes Programme of Intesa Sanpaolo: the first one is a 3-year, floating rate bond issued for an amount of 2 billion dollar, the second one is a 10-year, fixed rate bond issued for an amount of 1 billion dollar.
With reference to the 3-year floating rate bond, the coupon, payable quarterly in arrears on every 24 February, 24 May, 24 August and 24 November of each year from and including 24 May 2011 up to the maturity date, is equal to 3-month USD Libor + 240 basis points per annum. Considering that the re-offer price is 100%, the yield to maturity for the investor is equal to 3-month U.S.$ Libor + 240 basis points per annum.
With reference to the 10-year fixed rate bond, the coupon, payable semi-annually in arrear on every 24 February and 24 August of each year from and including 24 August 2011 up to the maturity date, is equal to 6.5% per annum. Considering that the re-offer price is 99.233%, the yield to maturity is 6.606% per annum and the total spread for the investor is equal to the yield of the 10-year U.S. Treasury Bill + 300 basis points per annum.
The dual tranche bond issue was distributed to U.S. market QIBs only.

Finally, on 28 February 2011, Intesa Sanpaolo obtained control of Banco Emiliano Romagnolo, a mono-branch bank based in Bologna currently under extraordinary administration. The transaction, which was carried out with the approval of the Bank of Italy, entailed the reduction of the bank's share capital by an amount equal to the losses incurred, with a concurrent 26 million euro share capital increase, including share premium of 14 million euro, currently entirely subscribed by Intesa Sanpaolo. Pending the term for the exercise of the option rights by the other shareholders, Intesa Sanpaolo currently owns 52% of the bank's share capital. At the end of October 2010, the direct and indirect customer deposits of Banco Emiliano Romagnolo totalled approximately 235 million euro.

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 Intesa Vita) have adopted the "national fiscal consolidation", set forth by arts. 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 2010, 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.

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. The transfer value is the fair value at the time of the reclassification. On 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, 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. Moreover, debt securities may be reclassified into the category Investments held to maturity as well as under Loans, when there is the intention to hold them in the foreseeable future and when the recognition criteria are met. 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, in rare circumstances, 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 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 collected substantially 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.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous 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 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 the latent loss to be estimated 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 incorporated derivatives or debt securities subject to financial hedging and equity investments held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria
On initial recognition, financial assets are measured 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 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.

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 assignation 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

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 percentage – 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.

Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since Intesa Sanpaolo, directly or indirectly, exclusively 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 investment 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 removed 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 to be 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, 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; specifically, the costs incurred entirely for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life.
– 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 commenced 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 effect) 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 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 art. 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 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 period 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.
Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reference date of the financial statements and take into account the risks and uncertainties that inevitably surround many events and circumstances. 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.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

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

Recognition criteria
These financial instruments are recognised at the subscription or issue date at cost, which reflects the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, specifically, the negative value of trading derivatives 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.

Measurement criteria
All financial liabilities held for trading are designated at fair value through profit and loss.

Derecognition criteria
Financial liabilities held for trading 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.

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, 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.

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

Derecognition criteria
The financial liabilities measured 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.

Subsequent measurement
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 paragraph, 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
Employee termination indemnities qualify as a “post employment benefit” classified as:
– a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation.
– a “defined benefit plan”, therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" to the extent of the portions accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield taking into account the average remaining life of the liability, weighted based on the 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 and actuarial gains and losses 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.

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 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. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- 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. Commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
- costs and 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 effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market or the instruments present a reduced liquidity (level 3), the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
- 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 financial reports
The preparation of financial reports 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 differ significantly 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 bases 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 deduced from products with the same risk profile (comparable approach);
– valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (Mark-to-Model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (comparable approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).
The following instruments are considered quoted on an active market (level 1): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchanged traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments which do not fall in the categories described above are not considered quoted on an active market.
For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, 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 prices of the same financial instrument to be measured, but on prices or credit spreads presumed from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. The calculation methodologies used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The fair value of bonds without official quotes expressed by an active market is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics. Credits spread sources are contributed and liquid securities of the same issuer, credit default swaps on the same reference entity, contributed and liquid securities issued by an issuer with the same rating and belonging to the same sector. The different seniority of the security to be priced relatively to the issuer's debt structure is also considered.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
In consideration of their number and complexity, a systematic reference framework has been developed for derivatives which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market.
Moreover, when determining fair value, the credit quality of the counterparty is also considered. Fair value considers counterparty credit risk and future exposures of the contract through the so-called Credit Risk Adjustment (CRA).
With respect to structured credit products, in the case of ABS, if significant prices are not available, valuation techniques consider parameters which may be presumed from the market (comparable approach), such as spreads presumed from new issuers and/or collected from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports and subject to backtesting with actual sale prices.
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 and complex credit derivatives (CDO) included among structured credit products and credit derivatives on index tranches;
– hedge funds not included in level 1;
– shareholding and other equities measured using models based on discounted cash flows;
– other loans, of a smaller amount, classified in the available-for-sale portfolio;
– derivative transactions relating to securitisations and equity-risk structured options.

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

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

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

Reference should be made to Part E of these Notes to the consolidated financial statements (section 1.2 Banking group - Market risks) for more detailed information about the models used by the Intesa Sanpaolo Group and the related organisational processes to determine fair value.

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 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 is different 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 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/review expenses for the annual update of prospectuses, the costs for the use of indexes 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 balance sheet 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 calculation of the expected loss for homogeneous 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 relative 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 homogeneous 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 fair value below the initial recognition value 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 balance sheet date the investments in associates or companies subject to joint control are subjected to 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 criterion 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.
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 investments, 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 debt securities' or equities' registration 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.
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.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, that

difference is entered in the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
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 the company. 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.
Contrary to the situation described in the Annual Report 2009, the Banca CR Firenze Group, including the Casse del Centro banks, was assigned to divisions following the integration of their information technology systems. The eleven banks in the group based in Firenze were segmented by making the criteria for allocating customers to portfolios consistent with those of the other Group banks. Product companies were allocated according to the centre of responsibility.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions of the Parent Company.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
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

The following table shows financial instrument reclassifications mainly carried out in 2008. No reclassifications were made in 2010.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2010	Fair value at 31.12.2010	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	3,257	3,028	140	64	-1	85
Debt securities	Financial assets held for trading	Financial assets available for sale	79	79	-37	6	-37	6
Shares and funds	Financial assets held for trading	Financial assets available for sale	105	105	-2	-	-2	2
Debt securities	Financial assets available for sale	Loans	6,132	4,933	-460	188	132	191
Loans	Financial assets available for sale	Loans	180	167	12	5	-	5
TOTAL			**9,753**	**8,312**	**-347**	**263**	**92**	**289**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 140 million euro.

Had the Group not reclassified the above financial assets, negative income components would have been recognised for an amount of 347 million euro (before tax), instead of positive income components of 92 million euro (before tax), generating a negative effect of 439 million euro, broken down as follows:
- write-off of the positive income components recognised during the period following the 92 million euro transfer. Of this amount, 4 million euro relates to adjustments, 140 million euro to fair value increases due to hedges and 44 million euro to the decrease in Valuation reserves;
- reversal of the negative income components which would have been recognised had no transfer taken place, totalling 347 million euro. Of this amount, 93 million euro refers to the revaluation of reclassified securities in the income statement, 140 million euro to fair value increases due to hedges and 580 million euro to the decrease in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 26 million euro would have not been recognised. Indeed, 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 2010 would have been written down by 1,441 million euro, of which 295 million to be recognised in the income statement (negative components for 2008: 459 million euro, positive components for 2009: 72 million euro and positive components for 2010: 92 million euro) and 1,146 million to be recognised in the Valuation reserve in Shareholders' equity (against 610 million euro as at 31 December 2009, with a negative net variation of 536 million euro, comprised of a negative variation of 580 million euro, had no transfer occurred, and a positive variation of 44 million euro, in the case of a transfer).

As at 31 December 2010, reclassifications amount to a nominal 9,893 million euro. Of this amount:
- 7,323 million euro by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as 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;
- 2,570 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 also refers to reclassifications carried out in 2009 concerning structured credit products 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

No portfolio transfers were made in 2010.

A.3.1.3 Transfer of financial assets held for trading

The financial crisis which marked 2008 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 3.3% and estimated cash flows at the date financial assets were reclassified amount to 9,783 million euro.

A.3.2. Fair value hierarchy

A.3.2.1 Accounting portfolios: fair value by level

(millions of euro)

Financial assets / liabilities at fair value	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	24,650	45,785	1,464	24,777	43,668	1,380
2. Financial assets designated at fair value through profit or loss	28,745	6,575	229	20,345	1,408	212
3. Financial assets available for sale	54,100	5,656	1,856	30,359	3,841	1,695
4. Hedging derivatives	-	7,374	3	-	7,008	-
Total	**107,495**	**65,390**	**3,552**	**75,481**	**55,925**	**3,287**
1. Financial liabilities held for trading	4,015	40,215	815	2,878	38,898	473
2. Financial liabilities designated at fair value through profit or loss	3,722	22,422	-	464	25,423	-
3. Hedging derivatives	-	5,884	-	-	5,179	-
Total	**7,737**	**68,521**	**815**	**3,342**	**69,500**	**473**

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	**1,380**	**212**	**1,695**	**-**
2. Increases	**1,743**	**48**	**859**	**5**
2.1 Purchases	**1,487**	**15**	**601**	**-**
2.2 Gains recognised in:	115	26	72	-
2.2.1 Income statement	*115*	*26*	*8*	-
- of which capital gains	*113*	*26*	-	-
2.2.2 Shareholders' equity	*X*	*X*	*64*	-
2.3 Transfers from other levels	95	-	102	5
2.4 Other increases	46	7	84	-
3. Decreases	**-1,659**	**-31**	**-698**	**-2**
3.1 Sales	-1,594	-19	-198	-
3.2 Reimbursements	-	-3	-105	-
3.3 Losses recognized in:	-37	-9	-97	-2
3.3.1 Income statement	*-37*	*-9*	*-27*	*-2*
- of which capital losses	*-34*	*-1*	*-27*	*-2*
3.3.2 Shareholders' equity	*X*	*X*	*-70*	-
3.4 Transfers to other levels	-	-	-235	-
3.5 Other decreases	-28	-	-63	-
4. Final amount	**1,464**	**229**	**1,856**	**3**

"Transfers from other levels" of "Financial assets held for trading" are manly due to derivative contracts with a positive fair value.

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	**473**	**-**	**-**
2. Increases	**418**	**-**	**-**
2.1 Issues	**324**	**-**	**-**
2.2 Losses recognised in:	29	-	-
2.2.1 Income statement	*29*	-	-
- of which capital losses	*29*	-	-
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	65	-	-
2.4 Other increases	-	-	-
3. Decreases	**-76**	**-**	**-**
3.1 Reimbursements	-2	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-74	-	-
3.3.1 Income statement	*-74*	-	-
- of which capital gains	*-74*	-	-
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Final amount	**815**	**-**	**-**

Repayments include the early completion of derivative transactions.
"Transfers from other levels" of "Financial liabilities held for trading" are manly due to derivative contracts with a negative fair value.

The sensitivity analysis of level 3 financial assets and liabilities shows a 19 million euro[2] 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"

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.
The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under Level 1 of the fair value hierarchy. Also in the case of Level 2, which is based on quotes that can be derived indirectly from the market (comparable approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins. Commercial margins are taken to the income statement when the financial instrument is initially measured.
Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Subsequent or Day-One-Profit - DOP).
This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.
When a Level 3 instrument is reclassified to Level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on Level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the Level 3 instrument which

[2] 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).

generated the DOP.
The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair value Option and Trading book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.
The following table shows the amount deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**37**
2. Increases	**3**
2.1 New transactions	**3**
3. Decreases	**-12**
3.1 Releases to the income statement	-12
4. Final amount	**28**

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)

	31.12.2010	31.12.2009
a) Cash	3,117	3,386
b) On demand deposits with Central Banks	1,641	5,026
TOTAL	**4,758**	**8,412**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	22,838	7,941	314	23,320	6,520	532
1.1 structured securities	*131*	*735*	*-*	*18*	*496*	*-*
1.2 other debt securities	*22,707*	*7,206*	*314*	*23,302*	*6,024*	*532*
2. Equities	179	-	1	120	32	-
3. Quotas of UCI	862	10	814	753	26	717
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**23,879**	**7,951**	**1,129**	**24,193**	**6,578**	**1,249**
B. Derivatives						
1. Financial derivatives	681	35,770	229	584	34,827	7
1.1 trading	*679*	*35,579*	*229*	*581*	*34,687*	*7*
1.2 fair value option	*-*	*73*	*-*	*-*	*11*	*-*
1.3 other	*2*	*118*	*-*	*3*	*129*	*-*
2. Credit derivatives	90	2,064	106	-	2,263	124
2.1 trading	*90*	*2,064*	*106*	*-*	*2,263*	*124*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**771**	**37,834**	**335**	**584**	**37,090**	**131**
TOTAL (A+B)	**24,650**	**45,785**	**1,464**	**24,777**	**43,668**	**1,380**

2.1 Of which: Banking group

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	22,607	6,778	314	23,238	6,475	532
1.1 structured securities	*125*	*508*	-	*18*	*496*	-
1.2 other debt securities	*22,482*	*6,270*	*314*	*23,220*	*5,979*	*532*
2. Equities	179	-	1	120	32	-
3. Quotas of UCI	508	10	814	591	26	717
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**23,294**	**6,788**	**1,129**	**23,949**	**6,533**	**1,249**
B. Derivatives						
1. Financial derivatives	674	35,689	229	581	34,809	7
1.1 trading	*674*	*35,575*	*229*	*581*	*34,680*	*7*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*114*	-	-	*129*	-
2. Credit derivatives	90	2,064	106	-	2,263	124
2.1 trading	*90*	*2,064*	*106*	-	*2,263*	*124*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**764**	**37,753**	**335**	**581**	**37,072**	**131**
TOTAL (A+B)	**24,058**	**44,541**	**1,464**	**24,530**	**43,605**	**1,380**

2.1 Of which: Insurance companies

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	231	1,163	-	82	45	-
1.1 structured securities	*6*	*227*	-	-	-	-
1.2 other debt securities	*225*	*936*	-	*82*	*45*	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	354	-	-	162	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**585**	**1,163**	**-**	**244**	**45**	**-**
B. Derivatives						
1. Financial derivatives	7	81	-	3	18	-
1.1 trading	*5*	*4*	-	-	*7*	-
1.2 fair value option	-	*73*	-	-	*11*	-
1.3 other	*2*	*4*	-	*3*	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**7**	**81**	**-**	**3**	**18**	**-**
TOTAL (A+B)	**592**	**1,244**	**-**	**247**	**63**	**-**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2009
A) CASH ASSETS					
1. Debt securities	**31,093**	*29,699*	*1,394*	-	**30,372**
a) Governments and Central Banks	20,876	*20,740*	*136*	-	20,673
b) Other public entities	52	*52*	-	-	1,751
c) Banks	5,558	*4,366*	*1,192*	-	4,401
d) Other issuers	4,607	*4,541*	*66*	-	3,547
2. Equities	**180**	*180*	-	-	**152**
a) Banks	13	*13*	-	-	10
b) Other issuers	167	*167*	-	-	142
- insurance companies	*3*	*3*	-	-	*3*
- financial institutions	*14*	*14*	-	-	*26*
- non-financial companies	*150*	*150*	-	-	*113*
- other	-	-	-	-	-
3. Quotas of UCI	**1,686**	*1,332*	*354*	-	**1,496**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
Total A	**32,959**	*31,211*	*1,748*	-	**32,020**
B) DERIVATIVES					
a) Banks	30,554	*30,466*	*88*	-	30,261
- fair value	*30,554*	*30,466*	*88*	-	30,261
b) Customers	8,386	*8,386*	-	-	7,544
- fair value	*8,386*	*8,386*	-	-	7,544
Total B	**38,940**	*38,852*	*88*	-	**37,805**
TOTAL (A+B)	**71,899**	*70,063*	*1,836*	-	**69,825**

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**30,372**	**152**	**1,496**	**-**	**32,020**
B. Increases	**362,034**	**32,733**	**24,615**	**-**	**419,382**
B.1 purchases	355,724	31,590	23,814	-	411,128
of which business combinations	*964*	-	*2*	-	966
B.2 positive fair value differences	117	5	108	-	230
B.3 other changes	6,193	1,138	693	-	8,024
C. Decreases	**-361,313**	**-32,705**	**-24,425**	**-**	**-418,443**
C.1 sales	-326,850	-30,975	-24,069	-	-381,894
of which business combinations	-	-	-	-	-
C.2 reimbursements	-29,042	-	-1	-	-29,043
C.3 negative fair value differences	-236	-18	-11	-	-265
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-5,185	-1,712	-344	-	-7,241
D. Final amount	**31,093**	**180**	**1,686**	**-**	**32,959**

2.3 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**30,245**	**152**	**1,334**	**-**	**31,731**
B. Increases	**358,426**	**32,733**	**24,359**	**-**	**415,518**
B.1 purchases	352,190	31,590	23,578	-	407,358
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	112	5	93	-	210
B.3 other changes	6,124	1,138	688	-	7,950
C. Decreases	**-358,972**	**-32,705**	**-24,361**	**-**	**-416,038**
C.1 sales	-324,585	-30,975	-24,011	-	-379,571
of which business combinations	-	-	-	-	-
C.2 reimbursements	-29,006	-	-1	-	-29,007
C.3 negative fair value differences	-211	-18	-7	-	-236
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-5,170	-1,712	-342	-	-7,224
D. Final amount	**29,699**	**180**	**1,332**	**-**	**31,211**

2.3 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**127**	**-**	**162**	**-**	**289**
B. Increases	**3,608**	**-**	**256**	**-**	**3,864**
B.1 purchases	3,534	-	236	-	3,770
of which business combinations	*964*	-	*2*	-	966
B.2 positive fair value differences	5	-	15	-	20
B.3 other changes	69	-	5	-	74
C. Decreases	**-2,341**	**-**	**-64**	**-**	**-2,405**
C.1 sales	-2,265	-	-58	-	-2,323
of which business combinations	-	-	-	-	-
C.2 reimbursements	-36	-	-	-	-36
C.3 negative fair value differences	-25	-	-4	-	-29
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-15	-	-2	-	-17
D. Final amount	**1,394**	**-**	**354**	**-**	**1,748**

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)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	15,541	6,575	-	9,951	1,406	20
1.1 structured securities	*490*	*5,198*	-	*586*	-	-
1.2 other debt securities	*15,051*	*1,377*	-	*9,365*	*1,406*	*20*
2. Equities	2,176	-	14	2,273	-	-
3. Quotas of UCI	11,028	-	184	8,121	2	157
4. Loans	-	-	31	-	-	35
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	*31*	-	-	*35*
Total	**28,745**	**6,575**	**229**	**20,345**	**1,408**	**212**
Cost	**26,842**	**6,820**	**202**	**19,708**	**1,381**	**155**

3.1 Of which: Banking group

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	588	216	-	354	368	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*588*	*216*	-	*354*	*368*	-
2. Equities	-	-	14	-	-	-
3. Quotas of UCI	17	-	176	27	-	149
4. Loans	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**605**	**216**	**190**	**381**	**368**	**149**
Cost	**601**	**222**	**163**	**381**	**428**	**121**

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

3.1 Of which: Insurance companies

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	14,953	6,359	-	9,597	1,038	20
1.1 structured securities	*490*	*5,198*	-	*586*	-	-
1.2 other debt securities	*14,463*	*1,161*	-	*9,011*	*1,038*	*20*
2. Equities	2,176	-	-	2,273	-	-
3. Quotas of UCI	11,011	-	8	8,094	2	8
4. Loans	-	-	31	-	-	35
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	*31*	-	-	*35*
Total	**28,140**	**6,359**	**39**	**19,964**	**1,040**	**63**
Cost	**26,241**	**6,598**	**39**	**19,327**	**953**	**34**

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)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**22,116**	*804*	*21,312*	-	**11,377**
a) Governments and Central Banks	14,269	*536*	*13,733*	-	8,147
b) Other public entities	23	*22*	*1*	-	41
c) Banks	6,765	*152*	*6,613*	-	979
d) Other issuers	1,059	*94*	*965*	-	2,210
2. Equities	**2,190**	*14*	*2,176*	-	**2,273**
a) Banks	208	-	*208*	-	241
b) Other issuers	1,982	*14*	*1,968*	-	2,032
- insurance companies	*80*	-	*80*	-	*88*
- financial institutions	*101*	-	*101*	-	*85*
- non-financial companies	*1,634*	*14*	*1,620*	-	*1,704*
- other	*167*	-	*167*	-	*155*
3. Quotas of UCI	**11,212**	*193*	*11,019*	-	**8,280**
4. Loans	**31**	-	*31*	-	**35**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	23	-	*23*	-	29
d) Other counterparties	8	-	*8*	-	6
TOTAL	**35,549**	*1,011*	*34,538*	-	**21,965**

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	**11,377**	**2,273**	**8,280**	**35**	**21,965**
B. Increases	**24,025**	**6,529**	**8,268**	**409**	**39,231**
B.1 purchases	17,798	5,834	5,218	2	28,852
of which business combinations	*6,529*	-	*1,871*	-	8,400
B.2 positive fair value differences	58	98	391	9	556
B.3 other changes	6,169	597	2,659	398	9,823
C. Decreases	**-13,286**	**-6,612**	**-5,336**	**-413**	**-25,647**
C.1 sales	-8,044	-6,239	-3,519	-	-17,802
of which business combinations	-	-	-	-	-
C.2 reimbursements	-3,585	-	-	-	-3,585
C.3 negative fair value differences	-389	-52	-63	-10	-514
C.4 other changes	-1,268	-321	-1,754	-403	-3,746
D. Final amount	**22,116**	**2,190**	**11,212**	**31**	**35,549**

3.3 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**722**	**-**	**176**	**-**	**898**
B. Increases	**1,024**	**14**	**44**	**-**	**1,082**
B.1 purchases	970	14	17	-	1,001
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	25	-	27	-	52
B.3 other changes	29	-	-	-	29
C. Decreases	**-942**	**-**	**-27**	**-**	**-969**
C.1 sales	-893	-	-26	-	-919
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1	-	-	-	-1
C.3 negative fair value differences	-28	-	-	-	-28
C.4 other changes	-20	-	-1	-	-21
D. Final amount	**804**	**14**	**193**	**-**	**1,011**

3.3 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**10,655**	**2,273**	**8,104**	**35**	**21,067**
B. Increases	**23,001**	**6,515**	**8,224**	**409**	**38,149**
B.1 purchases	16,828	5,820	5,201	2	27,851
of which business combinations	*6,529*	-	*1,871*	-	8,400
B.2 positive fair value differences	33	98	364	9	504
B.3 other changes	6,140	597	2,659	398	9,794
C. Decreases	**-12,344**	**-6,612**	**-5,309**	**-413**	**-24,678**
C.1 sales	-7,151	-6,239	-3,493	-	-16,883
of which business combinations	-	-	-	-	-
C.2 reimbursements	-3,584	-	-	-	-3,584
C.3 negative fair value differences	-361	-52	-63	-10	-486
C.4 other changes	-1,248	-321	-1,753	-403	-3,725
D. Final amount	**21,312**	**2,176**	**11,019**	**31**	**34,538**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	51,231	4,367	565	28,177	2,873	272
1.1 Structured securities	*945*	*655*	-	*64*	*29*	-
1.2 Other debt securities	*50,286*	*3,712*	*565*	*28,113*	*2,844*	*272*
2. Equities	1,614	1,166	1,011	1,672	898	1,127
2.1 Measured at fair value	*1,614*	*1,158*	*996*	*1,672*	*893*	*1,110*
2.2 Measured at cost	-	*8*	*15*	-	*5*	*17*
3. Quotas of UCI	1,255	113	257	510	60	230
4. Loans	-	10	23	-	10	66
TOTAL	**54,100**	**5,656**	**1,856**	**30,359**	**3,841**	**1,695**

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)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	15,504	2,581	547	10,497	2,374	255
1.1 Structured securities	*4*	*42*	-	*64*	*29*	-
1.2 Other debt securities	*15,500*	*2,539*	*547*	*10,433*	*2,345*	*255*
2. Equities	762	1,166	880	848	898	1,040
2.1 Measured at fair value	*762*	*1,158*	*865*	*848*	*893*	*1,023*
2.2 Measured at cost	-	*8*	*15*	-	*5*	*17*
3. Quotas of UCI	584	108	251	292	60	230
4. Loans	-	10	23	-	10	66
TOTAL	**16,850**	**3,865**	**1,701**	**11,637**	**3,342**	**1,591**

4.1 Of which: Insurance companies

(millions of euro)

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	35,727	1,786	18	17,680	499	17
1.1 Structured securities	*941*	*613*	-	-	-	-
1.2 Other debt securities	*34,786*	*1,173*	*18*	*17,680*	*499*	*17*
2. Equities	852	-	131	824	-	87
2.1 Measured at fair value	*852*	-	*131*	*824*	-	*87*
2.2 Measured at cost	-	-	-	-	-	-
3. Quotas of UCI	671	5	6	218	-	-
4. Loans	-	-	-	-	-	-
TOTAL	**37,250**	**1,791**	**155**	**18,722**	**499**	**104**

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**56,163**	*18,632*	*37,531*	-	**31,322**
a) Governments and Central Banks	42,310	*14,719*	*27,591*	-	22,815
b) Other public entities	611	*208*	*403*	-	527
c) Banks	8,178	*2,106*	*6,072*	-	3,390
d) Other issuers	5,064	*1,599*	*3,465*	-	4,590
2. Equities	**3,791**	*2,808*	*983*	-	**3,697**
a) Banks	893	*861*	*32*	-	914
b) Other issuers	2,898	*1,947*	*951*	-	2,783
- insurance companies	*494*	*319*	*175*	-	*580*
- financial institutions	*347*	*328*	*19*	-	*373*
- non-financial companies	*2,056*	*1,299*	*757*	-	*1,829*
- other	*1*	*1*	-	-	*1*
3. Quotas of UCI	**1,625**	*943*	*682*	-	**800**
4. Loans	**33**	*33*	-	-	**76**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	10	*10*	-	-	11
d) Other counterparties	23	*23*	-	-	65
TOTAL	**61,612**	*22,416*	*39,196*	-	**35,895**

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)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets with specific fair value hedges	**11,042**	*10,791*	*251*	-	**6,811**
a) Interest rate risk	11,001	*10,750*	*251*	-	6,768
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	41	*41*	-	-	43
2. Financial assets with specific cash flow hedges	**-**	-	-	-	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**11,042**	*10,791*	*251*	-	**6,811**

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**31,322**	**3,697**	**800**	**76**	**35,895**
B. Increases	**91,485**	**1,392**	**4,718**	**13**	**97,608**
B.1 purchases	91,160	1,081	4,655	9	96,905
of which business combinations	*14,278*	*121*	*353*	-	*14,752*
B.2 positive fair value differences	130	262	22	-	414
B.3 write-backs recognised in:	4	16	2	-	22
- income statement	-	*X*	*1*	-	*1*
- shareholders' equity	*4*	*16*	*1*	-	*21*
B.4 transfers from other portfolios	-	18	-	-	18
B.5 other changes	191	15	39	4	249
C. Decreases	**-66,644**	**-1,298**	**-3,893**	**-56**	**-71,891**
C.1 sales	-43,271	-864	-3,729	-11	-47,875
of which business combinations	-	-	-	-	-
C.2 reimbursements	-21,637	-52	-140	-45	-21,874
C.3 negative fair value differences	-881	-180	-14	-	-1,075
C.4 impairment losses recognised in:	-4	-66	-10	-	-80
- income statement	*-4*	*-66*	*-10*	-	*-80*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-3	-87	-	-	-90
C.6 other changes	-848	-49	-	-	-897
D. Final amount	**56,163**	**3,791**	**1,625**	**33**	**61,612**

4.4 Of which: Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**13,126**	**2,786**	**582**	**76**	**16,570**
B. Increases	**34,436**	**407**	**904**	**13**	**35,760**
B.1 purchases	34,190	127	882	9	35,208
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	51	236	12	-	299
B.3 write-backs recognised in:	4	11	1	-	16
- income statement	-	*X*	-	-	-
- shareholders' equity	*4*	*11*	*1*	-	*16*
B.4 transfers from other portfolios	-	18	-	-	18
B.5 other changes	191	15	9	4	219
C. Decreases	**-28,930**	**-385**	**-543**	**-56**	**-29,914**
C.1 sales	-8,044	-41	-385	-11	-8,481
of which business combinations	-	-	-	-	-
C.2 reimbursements	-20,388	-52	-140	-45	-20,625
C.3 negative fair value differences	-491	-163	-14	-	-668
C.4 impairment losses recognised in:	-4	-42	-4	-	-50
- income statement	*-4*	*-42*	*-4*	-	*-50*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-3	-87	-	-	-90
C.6 other changes	-	-	-	-	-
D. Final amount	**18,632**	**2,808**	**943**	**33**	**22,416**

4.4 Of which: Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**18,196**	**911**	**218**	**-**	**19,325**
B. Increases	**57,049**	**985**	**3,814**	**-**	**61,848**
B.1 purchases	56,970	954	3,773	-	61,697
of which business combinations	*14,278*	*121*	*353*	-	*14,752*
B.2 positive fair value differences	79	26	10	-	115
B.3 write-backs recognised in	-	5	1	-	6
- income statement	-	*X*	*1*	-	*1*
- shareholders' equity	-	*5*	-	-	*5*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	-	-	30	-	30
C. Decreases	**-37,714**	**-913**	**-3,350**	**-**	**-41,977**
C.1 sales	-35,227	-823	-3,344	-	-39,394
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,249	-	-	-	-1,249
C.3 negative fair value differences	-390	-17	-	-	-407
C.4 impairment losses recognised in	-	-24	-6	-	-30
- income statement	-	*-24*	*-6*	-	*-30*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-848	-49	-	-	-897
D. Final amount	**37,531**	**983**	**682**	**-**	**39,196**

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 Intesa Sanpaolo Group's policy for managing impairment testing calls for the verification of the presence of impairment indicators and the determination of any losses.

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 prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the initial recognition value, a fair value reduction of over 30% is considered "significant", and a continuous reduction of over 24 months is considered a "prolonged" reduction. 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 conducted did not highlight the need to recognise significant impairment of individual positions.

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2010				31.12.2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	3,839	3,735	-	-	4,560	4,507	-	-
Structured securities	*102*	*96*	-	-	*102*	*101*	-	-
Other	*3,737*	*3,639*	-	-	*4,458*	*4,406*	-	-
2. Loans	-	-	-	-	1	-	-	-
TOTAL	**3,839**	**3,735**	**-**	**-**	**4,561**	**4,507**	**-**	**-**

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)

	31.12.2010				31.12.2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	3,839	3,735	-	-	4,560	4,507	-	-
Structured securities	*102*	*96*	-	-	*102*	*101*	-	-
Other	*3,737*	*3,639*	-	-	*4,458*	*4,406*	-	-
2. Loans	-	-	-	-	1	-	-	-
TOTAL	**3,839**	**3,735**	**-**	**-**	**4,561**	**4,507**	**-**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**3,839**	*3,839*	-	-	**4,560**
a) Governments and Central Banks	3,289	*3,289*	-	-	3,896
b) Other public entities	31	*31*	-	-	55
c) Banks	255	*255*	-	-	337
d) Other issuers	264	*264*	-	-	272
2. Loans	**-**	-	-	-	**1**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	1
TOTAL	**3,839**	*3,839*	-	-	**4,561**
TOTAL FAIR VALUE	**3,735**	*3,735*	-	-	**4,507**

5.3 Investments held to maturity with specific hedges

As at 31 December 2010, 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	**4,560**	**1**	**4,561**
B. Increases	**183**	**-**	**183**
B.1 purchases	58	-	58
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	125	-	125
C. Decreases	**-904**	**-1**	**-905**
C.1 sales	-1	-	-1
of which business combinations	-	-	-
C.2 reimbursements	-792	-	-792
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-111	-1	-112
D. Final amount	**3,839**	**-**	**3,839**

5.4 Of which: Banking group

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**4,560**	**1**	**4,561**
B. Increases	**183**	**-**	**183**
B.1 purchases	58	-	58
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	125	-	125
C. Decreases	**-904**	**-1**	**-905**
C.1 sales	-1	-	-1
of which business combinations	-	-	-
C.2 reimbursements	-792	-	-792
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-111	-1	-112
D. Final amount	**3,839**	**-**	**3,839**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
A. Due from Central Banks	**6,725**	*6,725*	-	-	**12,418**
1. Time deposits	1,701	*1,701*	-	-	1,151
2. Compulsory reserve	4,878	*4,878*	-	-	10,712
3. Repurchase agreements	66	*66*	-	-	369
4. Other	80	*80*	-	-	186
B. Due from banks	**36,012**	*35,343*	*669*	-	**30,824**
1. Current accounts and deposits	3,755	*3,241*	*514*	-	3,506
2. Time deposits	4,820	*4,820*	-	-	6,824
3. Other loans	21,816	*21,789*	*27*	-	15,258
3.1 Reverse repurchase agreements	*12,063*	*12,036*	*27*	-	*5,995*
3.2 Financial leases	*4*	*4*	-	-	*5*
3.3 Other	*9,749*	*9,749*	-	-	*9,258*
4. Debt securities	5,621	*5,493*	*128*	-	5,236
4.1 Structured	*42*	*42*	-	-	*205*
4.2 Other	*5,579*	*5,451*	*128*	-	*5,031*
TOTAL (book value)	**42,737**	*42,068*	*669*	-	**43,242**
TOTAL (fair value)	***42,539***	*41,870*	*669*	-	**43,241**

Non-performing loans due from banks amounted to 73 million euro as at 31 December 2010 and 30 million euro as at 31 December 2009.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2010	31.12.2009
1. Due from banks with specific fair value hedges	**1,045**	**437**
a) Interest rate risk	1,045	437
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	**1,045**	**437**

6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2010.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2010		Of which:						31.12.2009	
			Banking group		*Insurance companies*		*Other companies*			
	Performing	**Non-performing**	*Performing*	*Non-performing*	*Performing*	*Non-performing*	*Performing*	*Non-performing*	**Performing**	**Non-performing**
1. Current accounts	30,689	2,532	*30,567*	*2,532*	-	-	*122*	-	32,323	2,340
2. Reverse repurchase agreements	10,703	-	*10,703*	-	-	-	-	-	10,586	-
3. Mortgages	166,230	9,388	*166,230*	*9,388*	-	-	-	-	164,620	9,935
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,010	668	*15,010*	*668*	-	-	-	-	14,626	630
5. Financial leases	21,326	2,127	*21,255*	*2,121*	-	-	*71*	*6*	21,263	1,853
6. Factoring	9,647	684	*9,647*	*684*	-	-	-	-	7,937	627
7. Other operations	86,405	5,778	*86,387*	*5,778*	*18*	-	-	-	83,706	5,029
8. Debt securities	18,017	31	*17,190*	*31*	*22*	-	*805*	-	18,527	31
8.1 Structured securities	*104*	-	*104*	-	-	-	-	-	*242*	-
8.2 Other debt securities	*17,913*	*31*	*17,086*	*31*	*22*	-	*805*	-	*18,285*	*31*
TOTAL (book value)	**358,027**	**21,208**	*356,989*	*21,202*	*40*	-	*998*	*6*	**353,588**	**20,445**
TOTAL (fair value)	**356,547**	**21,208**	*355,598*	*21,202*	*40*	-	*909*	*6*	**353,181**	**20,355**

Loans to customers include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 137 million euro.
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)

	31.12.2010		Of which:						31.12.2009	
			Banking group		*Insurance companies*		*Other companies*			
	Performing	**Non-performing**	*Performing*	*Non-performing*	*Performing*	*Non-performing*	*Performing*	*Non-performing*	**Performing**	**Non-performing**
1. Debt securities	**18,017**	**31**	*17,190*	*31*	*22*	-	*805*	-	**18,527**	**31**
a) Governments	3,337	-	*3,317*	-	*20*	-	-	-	3,210	-
b) Other public entities	6,018	-	*6,018*	-	-	-	-	-	5,687	-
c) Other issuers	8,662	31	*7,855*	*31*	*2*	-	*805*	-	9,630	31
- non-financial companies	*2,398*	*2*	*2,398*	*2*	-	-	-	-	*1,803*	*2*
- financial institutions	*5,741*	*29*	*4,936*	*29*	-	-	*805*	-	*5,907*	*29*
- insurance companies	*506*	-	*505*	-	*1*	-	-	-	*1,891*	-
- other	*17*	-	*16*	-	*1*	-	-	-	*29*	-
2. Loans	**340,010**	**21,177**	*339,799*	*21,171*	*18*	-	*193*	*6*	**335,061**	**20,414**
a) Governments	11,452	1	*11,438*	*1*	*14*	-	-	-	4,725	11
b) Other public entities	12,846	216	*12,846*	*216*	-	-	-	-	15,850	255
c) Other counterparties	315,712	20,960	*315,515*	*20,954*	*4*	-	*193*	*6*	314,486	20,148
- non-financial companies	*203,206*	*16,662*	*203,144*	*16,658*	-	-	*62*	*4*	*200,691*	*15,181*
- financial institutions	*27,179*	*541*	*27,057*	*541*	-	-	*122*	-	*26,324*	*409*
- insurance companies	*895*	-	*894*	-	*1*	-	-	-	*139*	-
- other	*84,432*	*3,757*	*84,420*	*3,755*	*3*	-	*9*	*2*	*87,332*	*4,558*
TOTAL	**358,027**	**21,208**	*356,989*	*21,202*	*40*	-	*998*	*6*	**353,588**	**20,445**

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2010	31.12.2009
1. Loans to customers with specific fair value hedges	**29,326**	**29,278**
a) Interest rate risk	29,326	29,278
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	**29,326**	**29,278**

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	31.12.2010						
	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	116	6	1,050	*4*	219	1,269	*49*
Between 3 and 12 months	471	17	2,476	*14*	630	3,106	*162*
Between 1 and 5 years	235	1,393	8,582	*57*	2,126	10,708	*359*
Over 5 years	29	13	8,659	*34*	2,052	10,711	*21*
Unspecified maturity	277	-	957	*2*	-	957	-
Total, gross	**1,128**	**1,429**	**21,724**	***111***	**5,027**	**26,751**	***591***
Adjustments	-141	-23	-664	-	-2	-666	-9
- individual	*-118*	-17	*-509*	-	*-2*	*-511*	-
- collective	*-23*	-6	*-155*	-	-	*-155*	-9
Total, net	**987**	**1,406**	**21,060**	***111***	**5,025**	**26,085**	***582***

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 31.12.2010			Notional value 31.12.2010	Fair value 31.12.2009			Notional value 31.12.2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,374**	**3**	**155,444**	**-**	**7,008**	**-**	**170,960**
1) fair value	-	7,355	3	147,363	-	6,989	-	165,460
2) cash flows	-	19	-	8,081	-	19	-	5,500
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,374**	**3**	**155,444**	**-**	**7,008**	**-**	**170,960**

8.1 Of which: Banking group

(millions of euro)

	Fair value 31.12.2010			Notional value 31.12.2010	Fair value 31.12.2009			Notional value 31.12.2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,374**	**3**	**155,444**	**-**	**6,995**	**-**	**169,109**
1) fair value	-	7,355	3	147,363	-	6,988	-	165,040
2) cash flows	-	19	-	8,081	-	7	-	4,069
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,374**	**3**	**155,444**	**-**	**6,995**	**-**	**169,109**

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	22	14	-	-	3	X	-	X	X
2. Loans	265	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	68	X	5	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**287**	**14**	**-**	**-**	**3**	**68**	**-**	**5**	**-**
1. Financial liabilities	4,642	-	-	X	352	X	-	X	X
2. Portfolio	X	X	X	X	X	1,992	X	14	X
Total liabilities	**4,642**	**-**	**-**	**-**	**352**	**1,992**	**-**	**14**	**-**
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					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	22	14	-	-	3	X	-	X	X
2. Loans	265	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	68	X	5	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**287**	**14**	**-**	**-**	**3**	**68**	**-**	**5**	**-**
1. Financial liabilities	4,642	-	-	X	352	X	-	X	X
2. Portfolio	X	X	X	X	X	1,992	X	14	X
Total liabilities	**4,642**	**-**	**-**	**-**	**352**	**1,992**	**-**	**14**	**-**
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.

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)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**93**	*93*	-	-	**70**
1.1. of specific portfolios	93	*93*	-	-	70
a) loans	*93*	*93*	-	-	*70*
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-1**	*-1*	-	-	**-1**
2.1. of specific portfolios	-1	*-1*	-	-	-1
a) loans	*-1*	*-1*	-	-	*-1*
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**92**	*92*	-	-	**69**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2010	31.12.2009
1. Loans	12,071	13,939
2. Assets available for sale	-	-
3. Portfolio	19,333	12,245
TOTAL	**31,404**	**26,184**

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 9,400,000	Desio	7	Equiter	50.00	50.00
6	Eurotlx Sim S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Milano	7	Banca Imi	50.00	50.00
7	Green Initiative Carbon Asset s (GICA) S.a. Capital Chf 7,400,000 in shares of Chf 100	Lugano	7	Equiter	25.00	25.00
8	Intesa Soditic Trade Finance Limited Capital Euro 5,000,000	London	7	Intesa Sanpaolo Holding International	50.00	50.00
9	Leonardo Technology S.p.A. Capital Euro 160,000	Milano	7	Intesa Sanpaolo	25.00	25.00
10	Manucor S.p.A. Capital Euro 10,000,000 in shares of Euro 1	Milano	7	Intesa Sanpaolo	72.75	45.50
11	Monte Mario 2000 S.r.l. Capital Euro 51,480	Torino	7	Intesa Real Estate	47.50	47.50
12	Noverca Italia S.r.l. Capital Euro 120,000	Roma	7	Intesa Sanpaolo	34.00	34.00
13	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
14	Shangai Sino-Italy Business Advisory Company Ltd Capital USD 1,560,000 in shares of USD 1	Shanghai	7	Intesa Sanpaolo	40.00	40.00
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 BS-VR-VI-PD S.p.A. Capital Euro 108,450,000 in shares of Euro 72.30	Verona	4	Re Consult Infrastrutture Equiter Compagnia Italiana Finanziaria	20.30 6.00 5.32	20.30 6.00 5.32
6	Autostrada Pedemontana Lombarda S.p.A. Capital Euro 200,000,000 in shares of Euro 1,000	Milano	4	Equiter Banca Infrastrutture Innovazione e Sviluppo	20.11 6.03	20.11 6.03
7	Autostrade Lombarde S.p.A. Capital Euro 178,669,687 in shares of Euro 1	Bergamo	4	Intesa Sanpaolo	39.71	39.71
8	B.E.E. Sourcing S.p.A. Capital Euro 351,900 in shares of Euro 1	Spoleto	4	Intesa Sanpaolo C.R. di Spoleto C.R. di Foligno	13.04 8.33 3.62	13.04 8.33 3.62
9	B.E.E. Team S.p.A. Capital Euro 20,537,247.25 in shares of Euro 0.30	Roma	4	Imi Investimenti	22.06	22.06
10	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
11	Bank of Qingdao co. LTD Capital CNY 1,984,548,623	Quindao	4	Intesa Sanpaolo	20.00	20.00
12	Cargoitalia S.p.A. Capital Euro 25,000,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	33.33	33.33
13	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

		Registered office	Type of relationship (a)	Investment Direct ownership	Investment % held	Votes available %
14	CE.SPE.VI. S.r.l. Capital Euro 1,116,267	Pistoia	4	C.R. di Pistoia e Pescia	20.00	20.00
15	Collegamento Ferroviario Genova-Milano S.p.A. Capital Euro 120,000 in shares of Euro 1	Genova	4	Banca Infrastrutture Innovazione e Sviluppo	20.00	20.00
16	Cr Firenze Mutui S.r.l. Capital Euro 10,000	Conegliano Veneto	8	C.R. di Firenze	10.00	10.00
17	Euromilano S.p.A. Capital Euro 6,500,000 in shares of Euro 100	Milano	4	Intesa Sanpaolo	38.00	38.00
18	Gcl Holdings L.P. S.a.r.l. Capital Euro 44,766.25	Luxembourg	4	Intesa Sanpaolo	22.14	22.14
19	GE.FI.L. - Gestione Fiscalità Locale S.p.A. Capital Euro 10,000,000 in shares of Euro 2	La Spezia	4	C.R. della Spezia	25.83	25.83
20	I. Tre Iniziative Immobiliari Industriali S.p.A. Capital Euro 510,000 in shares of Euro 0.51	Rovigo	4	C.R. del Veneto	20.00	20.00
21	Infragruppo S.p.A. Capital Euro 36,096,085 in shares of Euro 0.23	Bergamo	4	IMI Investimenti	21.71	21.71
22	IREN S.p.A. Capital Euro 1,276,225,677 in shares of Euro 1	Milano	4	Equiter	2.27	2.45
23	Ism Investimenti S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Mantova	4	Imi Investimenti	28.57	28.57
24	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	4	Intesa Sanpaolo	11.25	11.25
25	Mandarin Capital Management S.A. Capital Euro 271,000	Luxembourg	4	Private Equity International	20.00	20.00
26	Mater-Bi S.p.A. Capital Euro 14,560,000 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	34.48	34.48
27	Mega International S.p.A. Capital Euro 918,000 in shares of Euro 0.51	Faenza	4	Neos Finance	48.00	48.00
28	MF Honyvem S.p.A. Capital Euro 260,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	30.00	30.00
29	Misr Alexandria for Financial Investments Mutual Fund Co. Capital EGP 30,000,000	Cairo	4	Bank of Alexandria	25.00	25.00
30	Misr International Towers Co. Capital EGP 40,000,000	Cairo	4	Bank of Alexandria	27.86	27.86
31	Newcocot S.p.A. Capital Euro 3,249,832 in shares of Euro 1	Cologno Monzese	4	Intesa Sanpaolo	24.61	24.61
32	Nh Hoteles S.A. Capital Euro 493,234,860	Madrid	4	Private Equity International Intesa Sanpaolo	3.30 2.35	3.30 2.35
33	Nh Italia S.r.l. Capital Euro 226,698,564.59	Milano	4	Intesa Sanpaolo	44.50	44.50
34	Noverca S.r.l. Capital Euro 2,949,288.52	Roma	4	Intesa Sanpaolo	10.00	10.00
35	Nuovo Trasporto Viaggiatori S.p.A. Capital Euro 148,953,918 in shares of Euro 1	Roma	4	Imi Investimenti	20.00	20.00
36	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
37	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
38	Pietra S.r.l. Capital Euro 40,000	Milano	4	Intesa Sanpaolo	22.22	22.22
39	Pirelli & C. S.p.A. Capital Euro 1,377,878,879.78 in shares of Euro 2.82	Milano	4	Intesa Sanpaolo	1.58	1.62
40	Portocittà S.r.l. Capital Euro 2,000,000	Trieste	4	Banca Infrastrutture Innovazione e Sviluppo	25.00	25.00
41	Prelios S.p.A. Capital Euro 420,585,888.50 in shares of Euro 0.50	Milano	4	Intesa Sanpaolo	0.91	0.91
42	Prelios Sgr S.p.A.(formerly Pirelli & C. Real Estate SGR) Capital Euro 24,558,763 in shares of Euro 1	Milano	4	Intesa Sanpaolo	10.00	10.00
43	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
44	Realizzazioni e Bonifiche Arezzo S.p.A.(former Uno A Erre Italia) Capital Euro 8,153,756 in shares of Euro 0.01	Arezzo	4	Intesa Sanpaolo Mediocredito Italiano	18.90 1.37	18.90 1.37
45	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
46	S.A.F.I. S.r.l. Capital Euro 100,000	Spinea	4	Centro Leasing	20.00	20.00

		Registered office	Type of relationship (a)	Investment: Direct ownership	Investment: % held	Votes available %
47	Sagat S.p.A.	Caselle Torinese	4	Equiter	12.40	12.40
	Capital Euro 12,911,481 in shares of Euro 5.16					
48	SIA - SSB S.p.A.	Milano	4	Intesa Sanpaolo	30.64	30.64
	Capital Euro 22,091,286.62 in shares of Euro 0.13			Banca Imi	1.39	1.39
				C.R. 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
49	Slovak Banking Credit Bureau s.r.o.	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
	Capital Euro 9,958.17					
50	Società di Progetto Autostrada Diretta Brescia Milano S.p.A.	Brescia	4	Banca Infrastrutture Innovazione e Sviluppo	0.04	0.04
	Capital Euro 180,000,000 in shares of Euro 1					
51	Solar Express S.r.l.	Firenze	4	Intesa Sanpaolo	40.00	40.00
	Capital Euro 116,000					
52	Sviluppo Industriale S.p.A.	Pistoia	4	C.R. di Pistoia e Pescia	28.27	28.27
	Capital Euro 1,458,182.8 in shares of Euro 51.65					
53	Telco S.p.A.	Milano	4	Intesa Sanpaolo	11.62	11.62
	Capital Euro 3,287,195,390.05 in shares of Euro 1.85					
54	Termomeccanica S.p.A.	La Spezia	4	Intesa Sanpaolo	27.50	27.50
	Capital Euro 3,666,635.96 in shares of Euro 0.52			C.R. della Spezia	5.37	5.37
55	Tower 2 S.à.r.l.	Luxembourg		Private Equity International	28.00	28.00
	Capital Euro 12,500					
56	Umbria Export Società Consortile a.r.l.	Perugia	4	C.R. di Foligno	9.10	9.10
	Capital Euro 108,500			C.R. di Terni e Narni	9.10	9.10
				C.R. di Spoleto	9.10	9.10
				C.R. di Città di Castello	7.00	7.00
57	Unimatica S.p.A.	Bologna	4	Infogroup	25.00	25.00
	Capital Euro 500,000 in shares of Euro 500					
58	UPA Servizi S.p.A.	Padova	4	Ca.R. del Veneto	44.32	44.32
	Capital Euro 1,504,278 in shares of Euro 1					
59	Varese Investimenti S.p.A.	Varese	4	Intesa Sanpaolo	40.00	40.00
	Capital Euro 4,350,000 in shares of Euro 10					
60	Consorzio Bancario SIR S.p.A. (in liq.)	Roma	4	Intesa Sanpaolo	32.86	32.86
	Capital Euro 1,515,151.42 in shares of Euro 0.01			Banca di Credito Sardo	5.63	5.63
61	Europrogetti e Finanza S.p.A. (in liq.)	Roma	4	Intesa Sanpaolo	15.97	15.97
	Capital Euro 5,636,400 in shares of Euro 0.30					
62	Impianti S.r.l. (in liq.)	Milano	4	Intesa Sanpaolo	26.27	26.27
	Capital Euro 92,952			Banca di Trento e Bolzano	1.69	1.69
63	P.B. S.r.l. (in liq.)	Milano	4	Intesa Sanpaolo	42.24	42.24
	Capital Euro 119,000 in shares of Euro 1			C.R. di Firenze	4.96	4.96
64	Società Gestione per il Realizzo S.p.A.(in liq.)	Roma	4	Intesa Sanpaolo	38.33	38.33
	Capital Euro 2,946,459 in shares of Euro 0.10			Banca Fideuram	0.63	0.63
				C.R. di Firenze	0.42	0.42
				C.R. di Civitavecchia	0.16	0.16
65	United Valves Co. (Butterfly) in liq.	Cairo	4	Bank of Alexandria	25.00	25.00
	Capital EGP 5,000,000 in shares of EGP 500					

(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					**127**	
Allfunds Bank S.A.	243	194	12	107	78	-
Augusto S.r.l.	-	-	-	-	-	-
Colombo S.r.l.	-	-	-	-	-	-
Diocleziano S.r.l.	-	-	-	-	-	-
Enerpoint Energy S.r.l.	10	-	-	6	5	-
Eurotlx Sim S.p.A.	6	9	-2	4	3	-
Green Initiative Carbon Assets (GICA) S.a.	3	1	-1	3	1	-
Intesa Soditic Trade Finance Ltd.	5	2	1	5	2	-
Leonardo Technology S.p.A.	109	21	-1	16	4	-
Manucor S.p.A.	129	69	-1	15	11	
Monte Mario 2000 S.r.l.	3	-	-	2	1	-
Noverca Italia S.r.l.	34	2	-9	22	8	-
PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	18	7	4	17	8	-
Shangai Sino-Italy Business Advisory Company Ltd	-	-	-	-	-	-
Vub Generali Dochodkova Spravcovska Spolocnost A.s.	13	3	1	12	6	-
A.2. Investment in associates					**1,937**	
Aeroporti Holding S.r.l.	54	-	-	53	20	-
AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.	-	-	-	-	-	-
Alitalia - Compagnia Aerea Italiana S.p.A.	2,980	1,524	-164	561	81	
Ambienta Società di Gestione del Risparmio S.p.A.	4	6	-	1	-	-
Autostrada BS-VR-VI-PD S.p.A. (a)	1,100	-	-	490	315	
Autostrada Pedemontana Lombarda S.p.A.	78	2	-1	60	58	
Autostrade Lombarde S.p.A.	132	-	-1	132	78	-
B.E.E. Sourcing S.p.A. (a)	30	10	-	3	1	
B.E.E. Team S.p.A.	107	54	1	31	9	6
Banca Impresa Lazio S.p.A.	58	1	-	7	1	-
Bank Of Qingdao Co. LTD	7,210	253	58	470	138	
Cargoitalia S.p.A.	39	9	-4	14	7	
Cassa di Risparmio di Fermo S.p.A.	1,459	51	2	148	49	-
CE.SPE.VI. S.r.l.	5	-	-	5	1	-
Collegamento Ferroviario Genova-Milano S.p.A.	-	-	-	-	-	-
Cr Firenze Mutui S.r.l.	-	-	-	-	-	
Euromilano S.p.A.	127	4	-7	29	13	-
Gcl Holdings L.P. S.a.r.l.	715	350	-14	179	43	-
GE.FI.L. - Gestione Fiscalità Locale S.p.A.	18	4	-	10	3	
I. Tre Iniziative Immobiliari Industriali S.p.A.	10	4	-	1	-	-
Infragruppo S.p.A.	628	263	-16	-3	4	-
IREN S.p.A. (a)	-	-	5	1,800	41	36
Ism Investimenti S.p.A.	94	-1	-1	47	14	-
Italfondiario S.p.A.	73	28	1	36	3	-
Manadarin Capital Management S.A.	7	8	1	4	1	-
Mater-Bi S.p.A.	73	3	-1	24	8	-
Mega International S.p.A.	-	-	-	-	-	-
MF Honyvem S.p.A.	24	11	1	13	6	
Misr Alexandria for Financial Investments Mutual Fund Co.	19	-	-	18	4	-
Misr International Towers Co.	20	3	2	16	4	-
Newcocot S.p.A.	53	44	-3	7	-	-
Nh Hoteles S.A.	3,536	647	-45	1,168	80	47
Nh Italia S.r.l.	990	141	-25	361	170	-
Noverca S.r.l.	34	1	-2	28	3	-
Nuovo Trasporto Viaggiatori S.p.A.	349	4	-9	212	50	-
Obiettivo Nord - Est Sicav S.p.a.	8	-	-1	8	1	-
Penghua Fund Management Co. Ltd.	128	92	30	91	95	-

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
Pietra S.r.l.	28	-	-	24	5	-
Pirelli & C. S.p.A.	6,699	4,061	-87	1,823	27	46
Portocittà S.r.l. (a)	-	-	-	2	1	-
Prelios S.p.A. (a)	-	-	-	633	6	3
Prelios Sgr S.p.A.(formerly Pirelli & C. Real Estate SGR)	68	28	11	48	20	-
R.C.N. Finanziaria S.p.A.	360	54	-	-10	-	-
Realizzazioni e Bonifiche Arezzo S.p.A.(former Uno A Erre Italia)	81	100	-15	-4	-	-
Rizzoli Corriere della Sera MediaGroup S.p.A.	3,408	1,663	1	983	58	38
S.A.F.I. S.r.l.	2	-	-	1	-	-
Sagat S.p.A.	179	66	5	64	18	-
SIA - SSB S.p.A.	265	370	4	130	69	-
Slovak Banking Credit Bureau s.r.o.	-	1	-	-	-	-
Società di Progetto Autostrada Diretta Brescia Milano S.p.A.(a)	169	-	-	169	-	-
Solar Express S.r.l.	15	1	-	5	2	-
Sviluppo Industriale S.p.A.	3	1	-	1	-	-
Telco S.p.A.	6,553	126	63	3,197	371	-
Termomeccanica S.p.A.	435	282	19	108	30	-
Tower 2 S.à.r.l. (a)	5	16	-	-	-	
Umbria Export Società Consortile a.r.l. (a)	1	1	-	-	-	
Unimatica S.p.A.	2	2	-	1	-	
UPA Servizi S.p.A.	13	14	-1	6	4	-
Varese Investimenti S.p.A.	4	-	-	4	2	-
Consorzio Bancario SIR S.p.A. (in liq.)	-	-	-	-500	-	-
Europrogetti e Finanza S.p.A. (in liq.)	7	1	-	-6	-	-
Impianti S.r.l. (in liq.)	-	-	-	-2	-	-
P.B. S.r.l. (in liq.)	7	-	-	7	3	-
Società Gestione per il Realizzo S.p.A. (in liq.)	59	12	9	50	20	-
United Valves Co. (Butterfly) in liq.	-	-	-	-	-	-
Total companies carried at equity					**2,064**	**-**
Banca d'Italia					627	
Other minor (b)					25	
Total					**2,716**	

(a) Newly-incorporated/-acquired company.

(b) Mostly includes marginal companies: i) in liquidation and/or terminating activities and ii) start-ups or subsidiaries consolidated at equity due to immateriality, with no balance sheet.

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

(millions of euro)

	31.12.2010	Of which: Banking group	Insurance companies	Other companies	31.12.2009
A. Initial amount	**3,059**	*3,059*	-	-	**3,230**
B. Increases	**769**	*454*	-	*315*	**1,093**
B.1 purchases	360	*93*	-	*267*	373
of which business combinations	-	-			-
B.2 write-backs	-	-	-	-	-
B.3 revaluations	354	*354*	-	-	277
B.4 other changes	55	*7*	-	*48*	443
C. Decreases	**-1,112**	*-1,112*	-	-	**-1,264**
C.1 sales	-23	*-23*	-	-	-658
C.2 impairment losses (a)	-68	*-68*	-	-	-81
C.3 other changes	-1,021	*-1,021*	-	-	-525
D. Final amount	**2,716**	*2,401*	-	*315*	**3,059**
E. Total revaluations	**1,725**	*1,725*	-	-	**1,371**
F. Total impairment losses	**561**	*561*	-	-	**493**

(a) includes - 67 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 2010 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 2010 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, by a 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, "fundamental" analysis 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 "fundamental" 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)

	31.12.2010	31.12.2009
A. Non-life business	**16**	**24**
A.1 premiums reserves	10	17
A.2 claims reserves	6	7
A.3 other reserves	-	-
B. Life business	**11**	**14**
B.1 mathematical reserves	11	14
B.2 reserves for amounts to be disbursed	-	-
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	27	38

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 as at 31 December 2010.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment: breakdown of assets measured at cost

(millions of euro)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
A. Property and equipment used in operations					
1.1 owned	5,000	*4,965*	*31*	*4*	5,096
a) land	*1,465*	*1,443*	*22*	*-*	*1,499*
b) buildings	*2,697*	*2,688*	*9*	*-*	*2,754*
c) furniture	*298*	*298*	*-*	*-*	*286*
d) electronic equipment	*450*	*448*	*-*	*2*	*458*
e) other	*90*	*88*	*-*	*2*	*99*
1.2 acquired under finance lease	20	*20*	*-*	*-*	17
a) land	*7*	*7*	*-*	*-*	*7*
b) buildings	*10*	*10*	*-*	*-*	*10*
c) furniture	*-*	*-*	*-*	*-*	*-*
d) electronic equipment	*-*	*-*	*-*	*-*	*-*
e) other	*3*	*3*	*-*	*-*	*-*
Total A	**5,020**	*4,985*	*31*	*4*	**5,113**
B. Investment property					
2.1 owned	435	*294*	*-*	*141*	178
a) land	*114*	*105*	*-*	*9*	*32*
b) buildings	*321*	*189*	*-*	*132*	*146*
2.2 acquired under finance lease	-	*-*	*-*	*-*	-
a) land	*-*	*-*	*-*	*-*	*-*
b) buildings	*-*	*-*	*-*	*-*	*-*
Total B	**435**	*294*	*-*	*141*	**178**
TOTAL (A + B)	**5,455**	*5,279*	*31*	*145*	**5,291**

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	**1,506**	**3,921**	**885**	**2,581**	**382**	**9,275**
A.1 Total net adjustments	-	-1,157	-599	-2,123	-283	-4,162
A.2 Net initial carrying amount	**1,506**	**2,764**	**286**	**458**	**99**	**5,113**
B. Increases	**7**	**140**	**65**	**187**	**133**	**532**
B.1 Purchases	2	50	64	182	116	414
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	84	-	-	-	84
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	5	6	1	5	17	34
C. Decreases	**-41**	**-197**	**-53**	**-195**	**-139**	**-625**
C.1 Sales	-6	-8	-2	-1	-16	-33
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-113	-49	-188	-25	-375
C.3 Impairment losses recognised in:	-4	-3	-	-3	-4	-14
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-4*	*-3*	-	*-3*	*-4*	*-14*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-29	-44	-	-	-2	-75
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	*-29*	*-44*	-	-	*-2*	*-75*
C.7 Other changes	-2	-29	-2	-3	-92	-128
D. Net final carrying amount	**1,472**	**2,707**	**298**	**450**	**93**	**5,020**
D.1 Total net adjustments	4	1,273	648	2,314	312	4,551
D.2 Gross final carrying amount	**1,476**	**3,980**	**946**	**2,764**	**405**	**9,571**
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	**1,484**	**3,908**	**883**	**2,581**	**377**	**9,233**
A.1 Total net adjustments	-	-1,153	-598	-2,123	-280	-4,154
A.2 Net initial carrying amount	**1,484**	**2,755**	**285**	**458**	**97**	**5,079**
B. Increases	**7**	**139**	**65**	**184**	**133**	**528**
B.1 Purchases	2	49	64	182	116	413
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	84	-	-	-	84
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	5	6	1	2	17	31
C. Decreases	**-41**	**-196**	**-52**	**-194**	**-139**	**-622**
C.1 Sales	-6	-8	-2	-1	-16	-33
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-112	-49	-187	-25	-373
C.3 Impairment losses recognised in	-4	-3	-	-3	-4	-14
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-4*	*-3*	-	*-3*	*-4*	*-14*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-29	-44	-	-	-2	-75
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	*-29*	*-44*	-	-	*-2*	*-75*
C.7 Other changes	-2	-29	-1	-3	-92	-127
D. Net final carrying amount	**1,450**	**2,698**	**298**	**448**	**91**	**4,985**
D.1 Total net adjustments	4	1,268	647	2,313	309	4,541
D.2 Gross final carrying amount	**1,454**	**3,966**	**945**	**2,761**	**400**	**9,526**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Of which: Insurance companies

As at 31 December 2010, 31 million euro was attributable to insurance companies, of which 9 million euro was attributable to buildings and 22 million euro to land.

12.3 Of which: Other companies

As at 31 December 2010, 4 million euro was attributable to other companies (2 million euro to electronic equipment and 2 million euro to other property, equipment and intangible assets).

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	**32**	**146**	*32*	*141*	-	-	-	*5*
B. Increases	**84**	**193**	*75*	*52*	-	-	*9*	*141*
B.1 Purchases	-	10	-	*8*	-	-	-	*2*
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	-	-	-	-	-	-	-	-
B.7 Other changes	84	182	*75*	*43*	-	-	*9*	*139*
C. Decreases	**-2**	**-18**	*-2*	*-4*	-	-	-	*-14*
C.1 Sales	-	-1	-	*-1*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-2	-	*-2*	-	-	-	-
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-1	-8	*-1*	-	-	-	-	*-8*
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-	-	-	-	-	-	-
a) property used in operations	-	-	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	**-1**	**-7**	*-1*	*-1*	-	-	-	*-6*
D. Final carrying amount	**114**	**321**	*105*	*189*	-	-	*9*	*132*
E. Fair value measurement	**116**	**322**	*107*	*190*	-	-	*9*	*132*

12.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2010 came to approximately 243 million euro and mostly referred to the construction of the New Headquarters in Torino.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2010		Of which:						31.12.2009	
			Banking group		*Insurance companies*		*Other companies*			
	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**	**19,217**	*X*	*17,976*	*X*	*1,230*	*X*	*11*	**X**	**18,838**
A.1.1 Group	x	19,217	*x*	*17,976*	*x*	*1,230*	*x*	*11*	x	18,838
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**4,389**	**2,384**	*3,865*	*2,384*	*524*	-	-	-	**4,567**	**2,384**
A.2.1 Assets measured at cost	4,389	2,384	*3,865*	*2,384*	*524*	-	-	-	4,567	2,384
a) Internally generated intangible assets	*387*	-	*387*	-	-	-	-	-	*286*	-
b) Other assets	*4,002*	*2,384*	*3,478*	*2,384*	*524*	-	-	-	*4,281*	*2,384*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**4,389**	**21,601**	*3,865*	*20,360*	*524*	*1,230*	-	*11*	**4,567**	**21,222**

With regard to the recognition methods for Goodwill and Other intangible assets, reference should be made to Part A - Accounting policies. For a description of transactions performed in 2010 reference should instead be made to Part G - Business combinations.

Other intangible assets with a finite useful life include 3,798 million euro in intangibles recognised in relation to business combinations. Of these, 1,222 million euro refers to intangibles linked to asset management, 512 million euro to the value of the insurance policy portfolio and 2,064 million euro to core deposits. The other internally generated intangible assets refer essentially 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	31.12.2010	31.12.2009
Banca dei Territori	11,727	11,468
Corporate and Investment Banking	3,177	3,116
Public Finance	21	10
Eurizon Capital	1,411	1,411
Banca Fideuram	1,002	969
International Subsidiary Banks	1,879	1,864
Total	**19,217**	**18,838**

It should be noted that the portion of goodwill (531 million euro) related to the Securities Services business reversed following the sale transacted in 2010 was classified among Non-current assets held for sale and discontinued operations in the 2009 Financial statements.

13.2 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	**20,099**	**1,389**	**-**	**7,432**	**2,384**	**31,304**
A.1 Total net adjustments	-1,261	-1,103	-	-3,151	-	-5,515
A.2 Net initial carrying amount	**18,838**	**286**	**-**	**4,281**	**2,384**	**25,789**
B. Increases	**391**	**252**	**-**	**326**	**-**	**969**
B.1 Purchases	391	-	-	325	-	716
of which business combinations	*391*	-	-	*233*	-	*624*
B.2 Increases of internally generated intangible assets	X	252	-	-	-	252
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	-	-	-	1	-	1
C. Decreases	**-12**	**-151**	**-**	**-605**	**-**	**-768**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-150	-	-588	-	-738
- Amortisation	X	-150	-	-588	-	-738
- 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	-9	-	-	-	-	-9
C.6 Other changes	-3	-1	-	-17	-	-21
D. Net final carrying amount	**19,217**	**387**	**-**	**4,002**	**2,384**	**25,990**
D.1 Total net adjustments	1,261	1,253	-	3,739	-	6,253
E. Gross final carrying amount	**20,478**	**1,640**	**-**	**7,741**	**2,384**	**32,243**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The increases in intangible assets from business combinations include assets involved in the purchase price allocation process regarding acquisition of Intesa Vita, the branches of Banca Monte dei Paschi di Siena and the vehicle IN.FRA.
For further details on the criteria applied in the registration of such assets see Part G of these Notes to the consolidated financial statements.
The figures recorded as part of the abovementioned allocation process are:

– intangible assets: insurance portfolio 233 million euro (finite useful life);
– goodwill 391 million euro (indefinite useful life).

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	**19,056**	**1,382**	**-**	**6,734**	**2,384**	**29,556**
A.1 Total net adjustments	-1,261	-1,096	-	-2,864	-	-5,221
A.2 Net initial carrying amount	**17,795**	**286**	**-**	**3,870**	**2,384**	**24,335**
B. Increases	**193**	**252**	**-**	**93**	**-**	**538**
B.1 Purchases	193	-	-	92	-	285
of which business combinations	*193*	-	-	-	-	*193*
B.2 Increases of internally generated intangible assets	X	252	-	-	-	252
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	-	-	-	1	-	1
C. Decreases	**-12**	**-151**	**-**	**-485**	**-**	**-648**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-150	-	-468	-	-618
- Amortisation	X	-150	-	-468	-	-618
- 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	-9	-	-	-	-	-9
C.6 Other changes	-3	-1	-	-17	-	-21
D. Net final carrying amount	**17,976**	**387**	**-**	**3,478**	**2,384**	**24,225**
D.1 Total net adjustments	1,261	1,246	-	3,332	-	5,839
E. Gross final carrying amount	**19,237**	**1,633**	**-**	**6,810**	**2,384**	**30,064**
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	**1,043**	**7**	**-**	**698**	**-**	**1,748**
A.1 Total net adjustments	-	-7	-	-287	-	-294
A.2 Net initial carrying amount	**1,043**	**-**	**-**	**411**	**-**	**1,454**
B. Increases	**187**	**-**	**-**	**233**	**-**	**420**
B.1 Purchases	187	-	-	233	-	420
of which business combinations	*187*	-	-	*233*	-	*420*
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	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-120**	**-**	**-120**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-120	-	-120
- Amortisation	X	-	-	-120	-	-120
- 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	-	-	-	-	-	-
D. Net final carrying amount	**1,230**	**-**	**-**	**524**	**-**	**1,754**
D.1 Total net adjustments	-	7	-	407	-	414
E. Gross final carrying amount	**1,230**	**7**	**-**	**931**	**-**	**2,168**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which: Other companies

As at 31 December 2010, 11 million euro was attributable to other companies in relation to the goodwill recognised on the investment in IN.FRA.

13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2010.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions often leads 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 former Nextra, CR Firenze and Pravex, and Intesa Vita and the bank branches in 2010) led to the recognition of significant amounts for intangible assets and both 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).

In the 2009 financial statements, all impairment tests yielded positive results. Accordingly, no impairment losses were recognised.

The table below summarises the values of these intangible assets and goodwill, subdivided by operating divisions, which correspond with the cash-generating units (CGU), namely the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

(millions of euro)

CGU	2009 financial statements	Amortisation	Disposals	Acquisitions		Reclassification Fideuram Vita	Other changes 2010 (b)	2010 financial statements
			Securities Services	MPS Branches	Intesa Vita			
BANCA DEI TERRITORI	**15,882**	**-312**	**-**	**193**	**420**	**-116**	**-88**	**15,979**
- Intangible asset management - distribution	277	-55	-	-	-	-	-	222
- Intangible assets insurance - product. and distribut.	486	-124	-	-	233	-83	-	512
- Intangible core deposits	2,144	-133	-	-	-	-	-	2,011
- Intangible brand name	1,507	-	-	-	-	-	-	1,507
- Goodwill	11,468	-	-	193	187	-33	-88	11,727
CORPORATE AND INVESTMENT BANKING	**3,618**	**-**	**-**	**-**	**-**	**-**	**61**	**3,679**
- Intangible brand name	502	-	-	-	-	-	-	502
- Goodwill	3,116	-	-	-	-	-	61	3,177
PUBLIC FINANCE	**10**	**-**	**-**	**-**	**-**	**-**	**11**	**21**
- Goodwill	10	-	-	-	-	-	11	21
EURIZON CAPITAL	**1,664**	**-51**	**-**	**-**	**-**	**-**	**-**	**1,613**
- Intangible asset management - production	253	-51	-	-	-	-	-	202
- Goodwill	1,411	-	-	-	-	-	-	1,411
BANCA FIDEURAM	**2,255**	**-143**	**-**	**-**	**-**	**116**	**-**	**2,228**
- Intangible asset management - product. and distribut.	854	-139	-	-	-	83	-	798
- Intangible core deposits	57	-4	-	-	-	-	-	53
- Intangible brand name	375	-	-	-	-	-	-	375
- Goodwill	969	-	-	-	-	33	-	1,002
INTERNATIONAL SUBSIDIARY BANKS	**1,864**	**-**	**-**	**-**	**-**	**-**	**15**	**1,879**
- Goodwill	1,864	-	-	-	-	-	15	1,879
TOTAL CGUs	**25,293**	**-506**	**-**	**193**	**420**	**-**	**-1**	**25,399**
- Intangible asset management	1,384	-245	-	-	-	83	-	1,222
- Intangible assets insurance	486	-124	-	-	233	-83	-	512
- Intangible core deposits	2,201	-137	-	-	-	-	-	2,064
- Intangible brand name	2,384	-	-	-	-	-	-	2,384
- Goodwill	18,838	-	-	193	187	-	-1	19,217
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (c)	**531**	**-**	**-531**	**-**	**-**	**-**	**-**	**-**
- Goodwill	531	-	-531	-	-	-	-	-

(a) Other changes include the exchange-rate effect of the international subsidiaries, the changing of the scope between different CGUs of several companies in the Carifirenze Group, and the effects of the Serenissima transaction in the Public Finance CGU.

(b) The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

(c) Business classified under non-current assets held for sale and discontinued operations as at 31 December 2009. The sale was finalised on 17 May 2010.

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio and of core deposits. Such 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, a number of acquisitions were performed during the year that led to the recognition of intangibles and goodwill.
These include the acquisition of control of Intesa Vita (in which Intesa Sanpaolo previously held a 50% interest), which resulted in the identification of intangible assets relating to contractual relationships deriving from the signing of insurance contracts in the amount of 233 million euro. A total of 187 million euro was also recognised for goodwill.
For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under caption 210. Net adjustments to/recoveries on intangible assets) for a total of 506 million euro (approximately 352 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 2009 financial statements, the values in use were used in the impairment tests for the 2010 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 2010.

Impairment testing of intangibles

Asset management portfolio

2010 was characterised by a continuing gradual increase in volumes compared to the end of 2009, in continuity with the recovery of asset-management activity that began more significantly in the second half of 2009. The trend for the year showed signs of a recovery in the main indicators for the sector compared to the situation in the previous year.
Nonetheless, on a conservative basis, considering the uncertain economic and capital market context seen in 2010, the arrangement employed in preparing the financial statements for previous years was replicated by conducting impairment tests on the basis of year-end figures. It should be recalled that the 2009 impairment test yielded positive results, meaning that it was not necessary to recognise impairment beyond depreciation and amortisation, whereas an impairment loss of 751 million euro gross of the tax effect (and of 521 million euro net of the tax effect) was identified in 2008.

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 time span 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 purposes of the 2010 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, in consideration of the abovementioned indicators, impairment testing for the component related to both the Eurizon Capital and Banca Fideuram portfolios was then performed by means of a new measurement of the asset, in accordance with the indicated methodologies and consistent with those applied on initial recognition of the asset. 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.

Since its incorporation in 2010 and the subsequent contribution by Eurizon Vita of the business unit dedicated to serving the advisors networks of Banca Fideuram and Sanpaolo Invest, the investee Fideuram Vita has been included in the Banca Fideuram Division operating area. Accordingly, the goodwill and intangible assets attributable to the investee have been reclassified from the Banca dei Territori CGU to the Banca Fideuram CGU.
Consistently with the approach used for the purchase price allocation for the merger between Banca Intesa and Sanpaolo IMI, the impairment test for the Banca Fideuram CGU is conducted by considering a single type of intangible asset with finite useful life, inasmuch as the intangible asset deriving from Fideuram Vita, consisting of the value of insurance production, is also closely correlated to the other intangible assets already included in the CGU.

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
	Value 2010	Change compared to 2009		
AUM production - Eurizon Capital	146,719	5.8%	23.3%	10.2%
AUM distribution - Eurizon Capital	67,490	-6.3%	25.7%	8.7%
AUM production and distribution - Banca Fideuram (a)	53,148	14.6%	14.1%	9.8%

(a) The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

The result of the impairment test showed that the asset management intangible value is largely higher than the carrying value. Therefore, no recognition of impairment in the income statement is necessary for 2010.
The stability of the value in use of the asset management intangible associated with the value of production is essentially attributable to the increase in assets under management. The other positive effects include an increase in average management fees deriving from a generally less conservative asset allocation.
An additional contribution to the increase in value of the intangible attributable to Banca Fideuram in particular was due to the positive changes in parameters relating to the forfeiture of assets. By contrast, the change in economic hypotheses (benchmark curve and cost of capital) did not have a significant impact on total value.
On the other hand, the value of distribution, which was well in excess of carrying value after amortisation for the year, was negatively affected by the downtrend in volumes (which in the measurement of the production component had benefited from the positive effect of the increase in volumes generated by the insurance business), the effect of which was more than offset by an increase in unit profitability compared to 2009, primarily due to the composition of the portfolio, which as in the case of production, is more profitable, and to the change in several economic and operational hypotheses (rate of forfeiture, inflation and distribution expense hypotheses).

Insurance portfolio

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 2010 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.
It should be noted that the table does not include Intesa Vita's reserves (28,004 million euro) inasmuch as the portfolio in question was not measured anew as at 31 December 2010 due to the brief period of time between the initial measurement as at the acquisition date (30 September 2010) and the end of the reporting period, and due to the absence of indicators of impairment during that period.

(millions of euro)

Insurance portfolio	Model technical reserves [(a)]		Change	
	Value 2010	Value 2009 (b)	amount	%
Traditional	19,255	15,593	3,662	23.5%
Pension funds	466	406	60	14.8%
Unit-linked	11,375	9,209	2,166	23.5%
Index-linked	6,228	9,110	-2,882	-31.6%
TOTAL	**37,324**	**34,318**	**3,006**	**8.8%**

(a) The mathematical reserve, reserve for demographic bases, expense reserve and additional provision for “death event” are included.

(b) For the purpose of homogeneous reading of the table, the Eurizon Vita reserves relating to the financial advisors' business line, which was spun off to Fideuram Vita (included, as previously mentioned, in the Banca Fideuram CGU), were deducted from the figures for 2009.

The trend in volumes, profitability and the value of the underlying financial assets of the insurance products were used to determine the value of this intangible asset.
The factors that made a positive contribution to the increase in the value in use include the change in the forfeiture hypotheses for the portfolio of certain products sold by the insurance companies. Following the update of surrender statistics observed on the basis of past experience, hypotheses regarding the average duration of the portfolio were revised to call for more gradual and even outflows from the portfolio over time, entailing an increase in the value of the intangible.
It should also be noted that premium collection on all product types marketed in 2010 performed well, with positive effects on the portfolio, owing in part to more limited risks, on average, of new products compared to those already contained in the portfolio.
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.

Lastly, it should be noted that following the acquisition by the Intesa Sanpaolo Group of the residual 50% interest in Intesa Vita, and the resulting obtainment of control, the portfolio already associated with the insurer contributes to forming the carrying value of the insurance intangible.
As stated above, that value has not been tested for impairment separately for the 2010 financial statements due to the brief period of time between the date of measurement of the intangible (30 September 2010) and the reporting date (31 December 2010). Nonetheless, reserve performance in the fourth quarter of 2010 was analysed, resulting in the detection of a general increase in reserves from 27,095 million euro in September 2010 to 28,004 million euro in December 2010, marking an increase of approximately 3.3%. That indicator also did not show signs of possible impairment.
In addition, the share of amortisation for the year (three months) for that intangible was recognised in 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 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 purposes of the 2010 financial statements, the share of amortisation of the asset for the year (137 million euro gross of taxes and 94 million euro net of taxes) was recognised in 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; if impairment testing has to be performed. The scope 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 2010. Verification was performed with regard to the Banca dei Territori CGU 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, the cost/income ratio and the cost of capital.
The analyses conducted indicated that the volumes of the Banca dei Territori CGU remained essentially unchanged compared to the balances at the end of 2009, whereas the Banca Fideuram CGU showed a decrease in volumes. However, those volumes were considerably higher than the balances analysed when conducting the purchase price allocation as part of the business combination. At the level of profitability, there was an improvement in the projected performance of the mark-down for future years, which is expected to rise following the recovery of expectations regarding short-term rates (one-month Euribor) compared to the situation that arose in late 2008 and persisted throughout 2009. The recovery of rates that began in the second half of 2010 is expected to continue in 2011 and subsequent years as well, with the ensuing positive effect on profitability.
By contrast, the cost/income ratio rose compared to the parameter calculated in 2009, with the resulting negative effect on profitability. That effect is also attributable to the decrease in the ratio's denominator, which was affected by the current market situation, and (as described above) revenues may be expected to rise following the recovery in interest rates, meaning that the negative effect of the increase in the cost/income ratio should decrease in future years.
Lastly, the slight rise in the cost of capital did not have a significant impact on the asset's value.
On the basis of an estimate of the foregoing quantitative impacts on the value of the deposit premium, it was determined that the considerable increase in volumes compared to the amount calculated during the PPA more than offset the negative effects attributable to the other factors set out above.
On the basis of the foregoing considerations, and given that the asset in question is measured over a very long holding period (the expected average life ranges from 18 to 24 years, as stated above), no indicators were detected that would support the belief that the intangible asset may have become 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 advisors. 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 2010 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)

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). 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 benefiting 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, imposes 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 Divisions 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 to a greater extent 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.
On the subject of the Ukrainian bank Pravex, for the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep political, economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, 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. In 2009 Ukraine reported a further decrease in GDP in real terms as a consequence of a sharp decline in investments and consumption. GDP began to rise in 2010, albeit at modest rates. In addition, the currency scenario was and still remains in quite critical condition, although it improved in 2010, inasmuch as the relatively high inflation and the deterioration of competitive positions could result in downwards pressure on the currency. Lastly, both government-bond yields and the spreads implied by CDSs are considerably above those of other nations within the International Subsidiary Banks CGU. Under these circumstances, it was deemed appropriate to confirm the decisions made with respect to the 2008 and 2009 financial statements and therefore to consider Pravex Bank, for impairment testing purposes in the separate and consolidated financial statements, as a separate CGU from the Group's International Subsidiary Banks Division. Such separate assessment for impairment testing purposes has no bearing on the Group's intention to support development of the subsidiary in question.
The situation in Egypt, a country in which Intesa Sanpaolo has a considerable presence and longstanding interests, also deserves mention. As is common knowledge, a political crisis broke out in January 2011 and then rapidly escalated to a change in the country's government.
The future course of the crisis is not easy to predict. The country is currently under guard by the military and public order seems ensured for the time being.
Before the riots in January, Egypt presented highly positive economic growth prospects, not having been affected by the global crisis, except to a marginal degree. However, it is inevitable that the political situation will have an impact on economic growth and that the negative influence will be greater the longer the situation of uncertainty persists.

On the eve of the political crisis, the country's economic development remained highly positive. Projections of growth, which in 2009-2010, at the height of the international recession, had yielded an increase in GDP of 5%, called for improvement of more than 6% in the medium term. Growth was driven by a strong performance in the services (and tourism in particular), energy (natural gas) and manufacturing. Rating agencies classified Egypt at an average of BB+ (in S&P's equivalent terms), just below investment grade.
Due to the temporary halt of certain activities (and revenues from tourism in particular) following the onset of the political crisis, the growth profile is expected to decline in the first quarter of 2011, with a possibility of extension to the immediately subsequent quarters in connection with developments in the political scenario and the natural uncertainties regarding the future economic policy stance of the executive that will be called upon to govern the nation after the elections. The decline in activities in the first quarter will have negative repercussions on GDP growth for the fiscal year set to end in June 2011, which the foremost international forecasting centres now expect to slow down. Given the temporary deterioration of growth expectations, on the one hand, and indicators of financial vulnerability, on the other, the major ratings agencies have downgraded the country to a higher S&P's equivalent risk class, BB.
On the basis of the information available when the 2010 draft financial statements were prepared, and despite the difficulties inherent in making projections, given the brief period of time since the commencement of the crisis and the uncertainties that continue to characterise it, the scenario that seems most plausible involves a sufficiently orderly process of transition towards a new political and institutional structure supported by the military and civilians. The ongoing recovery of the country's economic activity and the assurances provided by authorities regarding the transition process bear out this hypothesis.
Looking forward, GDP growth, after slowing in 2011, could gradually resume, provided that the economic policy stance supports the country's international economic integration and growth, to once more converge on the previously expected potential level of 6% in the medium term. Owing to the modest current levels of foreign debt and debt-servicing expenses as a percentage of GDP and buoyed by a prospective recovery of reserves, following the outflow expected for the current year, the country's external financial vulnerability should remain limited. In such circumstances, the cyclical recovery could allow for gradual upgrading of the country to return to class BB+ in the medium term.
At the more specific level of the situation of the subsidiary Bank of Alexandria, after initial concerns regarding the maintenance of public order that resulted in the closure of all bank branches for several days, the subsidiary, in harmony with the general resumption of economic activity in the country, resumed regular operation without showing any signs of liquidity tensions, under the close supervision of International Subsidiary Banks Division staff.
Sensitivity analyses indicate that a decrease in projected flows of 50% compared to plan estimates would result in a reduction of the value in use of the International Subsidiary Banks CGU to a level still in excess of its carrying value, whereas realigning the discounting rate to the new, lower ratings (under the assumption that ratings will not recover in the near/medium term) would result in an increase in the discounting rate of approximately 120 bps and a decrease in the value of the CGU to levels still well in excess of its carrying value.
The characteristics of the crisis, which is primarily of a political nature, against the economic backdrop, as mentioned above, of a developing nation, and the expectation of a sufficiently brief transition process, destined to affect near-term, but not long-term projections concerning the growth trend that began in recent years, lead to the belief that at the date of approval of the 2010 draft financial statements the country did not present environmental conditions that could structurally prevent the management of the subsidiary in accordance with the governance scheme for the International Subsidiary Banks CGU as a whole.

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 represent the corporate 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 and other network banks contribute 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 table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, 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 31.12.2010			
	Book Value	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	26,957	*11,727*	*1,507*	*633*
Corporate and Investment Banking	14,035	*3,177*	*502*	-
Public Finance	1,432	*21*	-	-
Eurizon Capital	2,092	*1,411*	-	-
Banca Fideuram	2,912	*1,002*	*375*	-
International Subsidiary Banks	7,507	*1,879*	-	*959*
Pravex (Ukraine)	109	-	-	-
GROUP TOTAL	**55,044**	***19,217***	***2,384***	***1,592***

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. Alternatively, terminal value could be determined on the basis of a final sale or liquidation value.
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 must be 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 capital 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 and discounting rates for such cash flows particularly complex.
The uncertainties that characterise the future macroeconomic scenario, given the confirmation of the initial signs of an economic recovery, lead to an attitude of prudence in preparing forecasts for the next five years. A recovery of global economic growth was witnessed in the first half of 2010, driven by both intense fiscal and monetary stimuli, on the one hand, and sustained growth of domestic demand in several emerging nations, on the other.
In the second half of the year, the pace of growth slowed slightly. Nonetheless, the international context still appears favourable to continuing growth.
Basic projections for 2011-13 call for economic growth to continue, accompanied by a level of tightening of fiscal policies that will vary widely between countries. In subsequent years, European economic growth could thus be affected by a tighter economic policy stance, slowing to 1.2% in 2012 and 1.0% in 2013. Since it is impossible to predict the duration of the period of economic growth, GDP is projected to grow at near the potential rate of 1.8%-2.0% year on year during the following two years.
In Italy, growth is expected to come to 1.0% in 2011, essentially unchanged compared to 2010. GDP growth will be driven primarily by the recovery of domestic demand, which should improve compared to 2010, and only to a marginal extent by the contribution of foreign trade. Economic growth is expected to slow down slightly in 2012 (0.8%) and 2013 (0.6%) owing to a more restrictive fiscal policy stance, the lesser contribution of global demand and a modest increase in interest rates, against the backdrop of limited progress in economic productivity. Growth in 2014-15 is projected to match gradually recovering potential (1.0% in 2014 and 1.2% in 2015). Inflation is destined to rise in 2011 compared to 2010 owing to the less favourable trend in energy prices. The increase in consumer prices, estimated to come to 1.8% in 2011, should decline in 2012-13. In 2014-15, inflation is projected to rise once more to 1.9-2.0% due to the growth of the national consumer price index.

Turning to the outlook for the Italian banking industry, the expected scenario of money-market and ECB reference rates calls for bank rates and margins to remain relatively low in 2011. Beginning in 2012, as ECB official rates begin to be increased, bank rates could follow a sharper uptrend, giving rise to an increase in the average rate for loans to households and businesses of 1.1 points in two years (from approximately 3.8% in 2011 to approximately 4.9% in 2013). In 2014-15, the rise in bank rates should continue at a more modest pace, with an increase in the average rate on loans to households and businesses of slightly more than 60 bps on average over two years. Given the greater stickiness, the average rate on customer deposits is expected to rise by approximately 60 bps in 2012-13 and nearly 40 bps over the following two years. On the whole, the average deposit rate is expected to increase by approximately 1.1 points in five years compared to the 2010 average.
In lending activity, with the gradual improvement observed in 2010, the trough in the cycle is now in the past for loans to businesses as well. At the same time, loans to households for home purchases should continue to perform well, albeit less so than in 2010, driven by relatively low interest rates. In subsequent years, expectations call for structurally more modest lending growth than in the past.

During the period covered by the plan, Italian banks should continue to benefit from the positive level of the savings rate on the domestic retail market, while structurally more limited than in the past. However, direct deposits are expected to grow at a more modest pace than in the first half of 2010 and previous years, owing in part to investors' renewed interest in higher risk/return investments. Given the improvement in the growth of the Italian economy and the modest uptrend in loans, bank funding is also expected to perform relatively more dynamically in 2014-15 than in the previous years (an annual average of 5.5%).
In the asset-management industry, inflows to mutual funds are expected to recover moderately during the period covered by the plan, despite the margins of uncertainty relating to capital market performance and development of the collective management industry. Life-insurance products and pension plans are expected to play an important role among offerings for investors in coming years owing to the potential that the Italian market continues to present. The continuing significant expected inflows to the insurance segment in coming years should support the asset-management industry.

Outside Italy, CEE/SEE-area countries and CIS-area countries present distinct situations.
The former showed a return to positive growth rates in 2010, with GDP growth expected to come to +0.3% compared to -5.8% in 2009 and further consolidation in the subsequent period, reaching +2% in 2011, +2.8% in 2012 and 3.5% in 2015.
In further detail, whereas CEE countries may be considered to have emerged from the recession in 2010 with GDP growth of 2%, SEE countries continued to suffer slow growth in 2010 owing to the limited contribution from the domestic market and exports, the more fragile financial system and the broader effects of the financial crisis. Those countries showed negative growth in 2010 (-0.9%), despite the positive trend witnessed in the second half of the year. In coming years, both areas are expected to resume growth to a significant degree with growth rates projected to come to 3.7% for CEE countries and 3.4% for SEE countries in 2015.
Turning to CIS countries, following the collapse in growth reported in 2009 (-7.9% in Russia and -15.1% in Ukraine) and the sharp turnaround in 2010 (+3.5% in both countries), growth is expected to be consolidated in coming years with a growth rate of approximately +4.5% in 2015 for both countries.
In the banking segment, following the severe slowdown of 2009-2010, banking aggregates should resume growth in the future in all countries in which Intesa Sanpaolo has subsidiaries, albeit at a slower pace than in the past. In coming years, the performance of loan and deposit volumes should gradually come back into line with changes in nominal GDP. Loan growth is partly impeded by adjustments to loans and doubtful loans, which have slowed but are still significant.
For information on Egypt's economic outlook in the coming years, in light of the recent political crisis, please refer to the account provided above.

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

Italy	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
REAL ECONOMY						
Real GDP Italy	1,0 (*)	1.0	0.8	0.6	1.0	1.2
Consumer prices Italy	1,5 (*)	1.7	1.5	1.5	1.9	2.0
Period end ECB rate	1.0	1.0	1.7	2.5	3.0	3.3
3 month Euribor rate	0.8	1.1	1.9	2.6	2.9	3.4
BANKING SECTOR						
Loans (average volumes)	2.9	4.3	4.4	4.6	4.7	4.9
Direct customer deposits (average volumes)	5.7	4.6	4.3	4.7	5.3	5.6
Average customer spread	2.17	2.18	2.43	2.71	n.d.	n.d.
Mutual funds (end of period stock)	4.3	5.2	6.2	6.5	6.0	6.0
Portfolio management (end of period stock)	6.2	7.7	8.6	8.7	8.3	8.3
Life technical reserves (end of period stock)	7.8	8.4	9.2	9.2	9.0	9.0

(*) Final value estimated by the internal Studies and Research Service based on the information available, updated to February 2011.

Values / Countries		Albania	Bosnia -Hercegovina	Croatia	Serbia	Slovenia	Slovak Republic	Hungary	Romania	Russia	Ukraine	Egypt
2010	Real GDP	2.8	0.5	-1.5	1.5	1.1	4.0	1.0	-2.0	3.8	4.5	5.1
	Inflation	3.6	2.0	1.1	6.2	1.9	0.9	4.9	6.1	6.9	9.4	11.2
	Increase in loans	7.0	1.5	4.2	24.0	2.8	4.0	2.5	5.0	11.0	5.0	11.0
	Increase in deposits	16.0	7.6	4.7	22.2	2.5	3.5	-	2.0	12.0	20.0	10.0
	Loan interest rates	13.4%	6.4%	10.2%	12.0%	4.3%	5.4%	7.6%	14.1%	11.0%	15.7%	11.2%
	Deposit interest rates	6.4%	3.4%	1.6%	5.0%	1.8%	1.0%	5.2%	6.4%	5.9%	10.6%	6.1%
2011	Real GDP	3.0	1.5	1.4	3.5	1.7	3.6	2.5	0.8	3.5	3.5	5.8
	Inflation	3.2	2.3	3.0	7.0	2.3	2.8	3.7	4.8	7.5	10.5	10.5
	Increase in loans	5.6	3.5	4.1	8.0	3.7	6.5	3.0	4.0	11.2	4.8	9.8
	Increase in deposits	5.7	4.9	3.9	7.9	3.1	5.0	2.1	4.8	10.8	8.0	9.2
	Loan interest rates	13.0%	n.d.	9.5%	13.7%	4.5%	5.5%	8.0%	13.1%	10.1%	14.0%	11.4%
	Deposit interest rates	6.0%	n.d.	1.7%	6.7%	2.0%	1.1%	5.6%	6.1%	5.0%	8.5%	6.0%
2012	Real GDP	3.8	2.7	2.0	4.0	2.2	3.8	3.0	2.0	4.0	4.0	6.3
	Inflation	3.0	2.5	3.0	5.5	2.5	3.0	3.2	3.8	6.5	9.0	10.0
	Increase in loans	6.1	5.0	4.5	8.5	4.1	7.0	3.2	4.4	10.5	8.3	10.2
	Increase in deposits	6.2	5.5	4.6	8.3	3.8	5.5	4.7	5.0	10.3	9.0	9.6
	Loan interest rates	13.1%	n.d.	9.7%	13.4%	4.9%	6.2%	8.1%	13.8%	10.7%	14.8%	12.0%
	Deposit interest rates	6.1%	n.d.	2.0%	6.4%	2.4%	1.8%	5.7%	6.7%	5.3%	9.2%	6.2%
2013	Real GDP	4.0	3.3	2.5	4.5	2.8	4.0	3.2	2.5	4.3	4.2	6.5
	Inflation	3.0	3.0	3.0	4.5	2.9	3.0	3.0	3.5	6.0	8.5	9.5
	Increase in loans	6.2	5.5	5.0	8.6	5.5	7.1	3.5	4.5	10.8	9.3	10.7
	Increase in deposits	6.5	5.8	5.2	8.5	5.0	6.0	5.0	5.1	11.0	10.0	10.1
	Loan interest rates	13.2%	n.d.	9.8%	12.4%	5.3%	6.9%	8.3%	14.0%	11.0%	15.4%	12.5%
	Deposit interest rates	6.1%	n.d.	2.2%	5.4%	2.8%	2.4%	5.8%	7.0%	5.6%	9.7%	6.6%
2014	Real GDP	4.0	3.5	2.9	5.0	3.0	4.2	3.4	2.7	4.4	4.3	6.7
	Inflation	3.0	3.0	3.0	4.0	3.0	3.0	3.0	3.2	6.3	8.7	9.7
	Increase in loans	6.4	5.8	5.4	8.7	5.8	7.2	4.5	4.6	11.2	9.6	11.5
	Increase in deposits	6.7	6.0	5.6	8.6	5.6	6.2	5.1	5.2	11.4	10.3	10.9
	Loan interest rates	13.3%	n.d.	10.0%	11.7%	5.5%	7.2%	8.5%	14.3%	11.3%	15.8%	12.9%
	Deposit interest rates	6.2%	n.d.	2.4%	4.7%	3.0%	2.7%	6.0%	7.3%	5.9%	10.0%	6.8%
2015	Real GDP	4.0	3.6	3.1	5.0	3.2	4.2	3.5	3.0	4.5	4.5	6.8
	Inflation	3.0	3.0	3.0	4.0	3.0	3.0	3.0	3.0	6.5	9.0	10.0
	Increase in loans	6.5	6.1	6.5	9.0	6.0	7.4	5.0	4.9	11.6	10.2	11.8
	Increase in deposits	6.8	6.3	6.8	8.8	5.8	6.4	5.2	5.4	11.8	10.9	11.2
	Loan interest rates	13.3%	n.d.	10.3%	11.2%	5.8%	7.5%	8.8%	14.4%	11.6%	16.1%	13.1%
	Deposit interest rates	6.2%	n.d.	2.7%	4.2%	3.3%	3.2%	6.2%	7.4%	5.9%	10.3%	7.0%

The estimation of future cash flows of the various CGUs was performed in two stages.
For the first forecasting period, namely 2011-2015, the analytical estimates extrapolated from the 2011-2015 business plan, which will be formally approved by the Management Board and Supervisory Board on 5 April 2011, were used. In keeping with the requirements associated with conducting impairment tests, those projections have been prepared on the basis of the macroeconomic hypotheses illustrated above.
The net income projected for the years covered by the long-term plan has been adjusted in accordance with IAS 36 to account for non-monetary components and minority interests and to exclude the effects of any reorganisation or restructuring transactions. In addition, cash flows include the attribution of flows correlated with central corporate assets to the various CGUs. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.
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 in rarer circumstances).
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.
In the impairment test as at 31 December 2010, in keeping with the period of time covered by the business plan and in accordance with IAS 36, the final year of analytical forecasting (2015) was deemed normal and was thus infinitely projected on the basis of the growth factors described below for the purposes of terminal value.
As a general rule, the "g" rate was estimated on the basis of the average 2008-2015 growth rate for the nominal GDP of the countries in which each CGU (or component of the International Subsidiary Banks CGU) operates.
In further detail, nominal GDP is the sum of the real GDP growth rate and the expected inflation rate. Each component has been calculated as the average for the period 2008-2015.
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 showed 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. In 2011-2015, for which forecast data are available, the trend is expected to reverse with respect to late 2008 and 2009, which only occurred to a partial degree in 2010, and the growth process is thus expected to resume gradually.
However, the use of projections alone to estimate the growth rate for the purposes of terminal value would run the risk of proving overly optimistic in consideration of the current uncertainties that continue to weigh on the global economic system. On the other hand, the use of a period of observation including a significant number of previous years, given the existence of a positive economic cycle, which was interrupted and reversed in 2008, would likely lead to overestimation as future expectations remain uncertain.
Inclusion in the observation period of the years 2008 (not yet fully impacted by the economic crisis), 2009 and 2010, in addition to reasonably forecast values for the period 2011-2015, would provide a balance between the aforementioned observation hypotheses and determination of a reasonably prudent average rate.
The projected real GDP and inflation figures used to calculate "g" have been drawn from the forecasts of Intesa Sanpaolo's Studies and Research Service prepared on the basis of estimates by the EIU and IMF, and have been updated through February 2011.
In particular:
– for the Italian CGUs (Banca dei Territori, Corporate, Public Finance, Eurizon Capital and Banca Fideuram), the "g" rate has been determined by reference to Italy;
– for each country in which the International Subsidiary Banks CGU operates, "g" has been measured by reference to each country;
– for Pravex, "g" has been determined by reference to Ukraine.
The foregoing applied as a general rule inasmuch as certain specific corrective measures were required for some countries, given the presence of special situations, specifically:
– Italy presents a negative value for its average real growth rate for the period 2008-2015. Since the "g" rate is used to determine terminal value, it was considered realistic and rational not to assume negative real growth to be projected infinitely. Accordingly, for calculation purposes real growth was assumed to be zero and the "g" rate thus corresponded with the average increase in inflation for the period 2008-2015;
– in some foreign countries the "g" rate, calculated as the 2008-2015 average, was found to exceed the growth rate for the final year of analytical GDP projection (2015). For those countries, the "g" rate was prudentially assumed to be equal to the nominal growth rate estimated for 2015.

In addition, as a further element of caution, the nominal growth rates for each CGU, calculated as described above, were compared with the net income growth rates in the final year of the business plan (2015 growth rate); for the International Subsidiary Banks CGU, the analysis pertained to each bank belonging to the CGU. For the purposes of determining the growth rate "g" for the projection of terminal value, the lesser of the two values compared was used.

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, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.
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 2010 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 1928-2010, 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. In the case of Italy in particular, given the considerable increase in spreads witnessed in 2010 - although this situation is believed to be merely contingent and not structural in nature - the spread on German government bonds as at December 2010, when the figure was at an especially high level, was used instead of historical average values in the interest of prudence.

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 2008-2015 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. The growth rates for the period 2010-2015 incorporate the growth rates projected in the 2011-2015 business plan. Non-recurring components have been eliminated from the final figures for 2010 when determining growth rates.

CGU \ Rates/ parameters	Nominal growth rates for impairment testing (2010 - 2015)	Nominal growth rates in terminal value "g"	Nominal discounting rates	Inflation rates
Banca dei Territori	34.31%	1.79%	8.72%	1.79%
Corporate and Investment Banking	6.84%	1.79%	10.66%	1.79%
Public Finance	7.47%	1.79%	9.75%	1.79%
Eurizon Capital	20.60%	1.79%	10.23%	1.79%
Banca Fideuram	16.85%	1.79%	9.77%	1.79%
International Subsidiary Banks (1)	16.96%	6.31% (2)	13.22% (3)	4.04% (4)
Pravex (Ucraina)	n.a	13.69%	27.97%	12.03%
Weighted average rate	**24.39%**	**2.31%**	**n.s.**	**n.s.**

(1) Weighted average rates

(2) The rates applied for the various international subsidiaries as at 31 December 2010 were as follows: Intesa Sanpaolo Bank Albania (Albania) 7.03%, Banka Koper (Slovenia) 4.04%, BIB (Serbia) 9.20%, Bank of Alexandria (Egypt) 6.64%, CIB (Hungary) 5.28%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 5.93%, Banca CRF Romania (Romania) 5.44%, Banca Intesa (Russia) 11.10%, PBZ (Croatia) 3.99%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 5.08%, VUB (Slovakia) 5.83%

(3) The rates applied for the various international subsidiaries as at 31 December 2010 were as follows: Intesa Sanpaolo Bank Albania (Albania) 15.94%, Banka Koper (Slovenia) 9.89%, BIB (Serbia) 18.26%, Bank of Alexandria (Egypt) 21.55%, CIB (Hungary) 13.36%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 14.49%, Banca CRF Romania (Romania) 14.49%, Banca Intesa (Russia) 17.48%, PBZ (Croatia) 12.18%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 17.21%, VUB (Slovakia) 10.66%

(4) The rates applied for the various international subsidiaries as at 31 December 2010 were as follows: Intesa Sanpaolo Bank Albania (Albania) 3.05%, Banka Koper (Slovenia) 2.77%, BIB (Serbia) 5.94%, Bank of Alexandria (Egypt) 11.38%, CIB (Hungary) 3.88%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 4.73%, Banca CRF Romania (Romania) 4.73%, Banca Intesa (Russia) 8.14%, PBZ (Croatia) 3.08%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 2.84%, VUB (Slovakia) 2.56%

Impairment testing results

The results of impairment testing did not indicate a need to apply adjustments to the value of goodwill for any of the Intesa Sanpaolo Group's CGUs. The resulting values in use for the various CGUs, determined according to the methodology and on the basis of the parameters illustrated on the foregoing pages, thus confirm the values carried 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 following remarks may be made regarding such market valuations:

– the future cash flows projected by analysts (limited to the years 2011 and 2012) are on average slightly higher than the cash flows contemplated for impairment testing purposes;

- the cost of capital used (in cases in which this parameter is explicitly stated) is often determined in overall terms at the Group level and generally comes to levels slightly in excess of the average value determined for the purposes of value in use for impairment testing presented in the previous chapter. In cases in which the Group's assessment is conducted according to the sum-of-the-parts methodology, and thus analytically for each operating division, the values are generally higher than those used for the impairment tests for all CGUs. Comparison for the international segment is difficult because the values are never open for the various foreign countries. It is thus not possible to make further remarks regarding the differences inasmuch as analysts' documents do not present the criteria followed to determine such rates;
- the growth rates used for the purposes of terminal value, where explicitly stated, were in excess of those used for impairment testing;
- from a methodological standpoint, the multiples used (in terms of P/E or ROE) were primarily applied to current market quotations or expected profitability for 2011 or 2012, meaning that these are methodologies that provide a fair value, rather than a long-term 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 in particular Italy (also as a result of its high public debt) and the banking sector (due to low market rates and uncertainties on the impacts of future 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.

In conclusion, it is believed that impairment tests must be performed with the awareness of the fact that the current crisis has a deep impact on expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group’s primary sources of income and competitive edges. In consideration of such factors, value in use is considered to be a better expression of the recoverable value of the Group's operating activities in the current market situation.
Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters.
Growth projections for the main macroeconomic aggregates contemplated in the market scenarios that underlie the estimate of cash flows projected for the period 2011-2015 are in line with or lower than the consensus expressed by research companies and international organisations.
When extrapolating such cash flows for the purposes of terminal value, growth rates were assumed to be lower (and, in some cases, significantly lower) than those projected for the next five years. In any event, in the interest of prudence, for countries in which the 2015 GDP growth rate or the growth rate in the final year of the plan was lower than the 2008-2015 average rate, that lower rate was used.
For CGUs whose business is based primarily in Italy, which represent the majority of the Group's value, given that average real growth rates are projected to come to approximately 1% over the next five years (approximately 2.6% in nominal terms), a growth rate of zero in real terms (1.79% in nominal terms) was used for the purposes of terminal value.
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 not significantly different from the average rates used by investment houses in the most recent reports on Intesa Sanpaolo stock. In addition, in the case of Italy, the spread on government bonds in December 2010, which came to very high levels, was considered, although this situation is believed to be merely contingent and not structural.
Lastly, sensitivity analyses showed that even situations of considerable stress of the main parameters do not result in substantial situations of impairment.

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. In addition, analyses were conducted of changes in the value in use resulting from a negative change in cash flows.
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	1.23%	1.53%
Corporate and Investment Banking	0.81%	1.08%
Public Finance	0.93%	1.21%
Eurizon Capital	0.92%	1.21%
Banca Fideuram	0.95%	1.24%
International Subsidiary Banks	1.26%	1.54%
Pravex (Ukraine)	n.s.	n.s.

It should also be noted that, on an extreme stress testing basis, even a deterioration of the growth rate of 50 bps and an increase in the discounting rate of 100 bps, considered jointly, would not in substance result in impairment losses.
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"	Difference with respect to rate "g" used	Discount rate Ke	Difference with respect to discount rate Ke used
Banca dei Territori	-1.47%	-326 bps	11.12%	+240 bps
Corporate and Investment Banking	-0.21%	-200 bps	12.08%	+142 bps
Public Finance	-3.18%	-497 bps	13.10%	+335 bps
Eurizon Capital	0.00%	-178 bps	11.53%	+129 bps
Banca Fideuram	-4.34%	-613 bps	13.79%	+402 bps
International Subsidiary Banks	-1.71%	-803 bps	17.31%	+409 bps
Pravex (Ukraine)	n.a.	n.a.	n.a.	n.a.

Sensitivity analyses were also conducted of the projected cash flows for the period 2011-2015 in relation to 10% decreases in the cash flows for each year of the period of time considered.
Such a scenario would result in an estimate of values in use of the CGUs in excess of or in line with the respective carrying values.

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 5,974 million euro, of which 5,209 million refers to taxes recorded through profit and loss and 765 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 2,608 million euro and the balancing entry is mostly in the income statement (2,409 million euro) as well as in shareholders' equity (199 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)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**4,872**	*4,791*	*81*	-	**4,148**
2. Increases	**1,765**	*1,574*	*191*	-	**2,172**
2.1 Deferred tax assets recognised in the period	1,040	*911*	*129*	-	839
a) related to previous years	*125*	*125*	-	-	*79*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*915*	*786*	*129*	-	*760*
2.2 New taxes or tax rate increases	-	-	-	-	3
2.3 Other increases	696	*663*	*33*	-	1,330
2.4 Business combinations	29	-	*29*	-	-
3. Decreases	**-1,428**	*-1,362*	*-66*	-	**-1,448**
3.1 Deferred tax assets eliminated in the period	-852	*-805*	*-47*	-	-657
a) reversals	*-740*	*-725*	*-15*	-	*-509*
b) write-offs	*-1*	*-1*	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-111*	*-79*	*-32*	-	*-148*
3.2 Tax rate reductions	-15	*-15*	-	-	-
3.3 Other decreases	-561	*-542*	*-19*	-	-790
3.4 Business combinations	-	-	-	-	-1
4. Final amount	**5,209**	*5,003*	*206*	-	**4,872**

Other increases recorded under point 2.3, totalling 696 million euro, mainly include the reversal of netting performed in the previous year.
Other decreases as per point 3.3, amounting to 561 million euro, mainly include netting performed during the year between deferred tax assets and liabilities.

14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**1,979**	*1,726*	*253*	-	**2,770**
2. Increases	**1,237**	*712*	*525*	-	**1,328**
2.1 Deferred tax liabilities recognised in the period	330	*112*	*218*	-	77
a) related to previous years	*2*	*2*	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*328*	*110*	*218*	-	*77*
2.2 New taxes or tax rate increases	1	*1*	-	-	-
2.3 Other increases	720	*599*	*121*	-	1,251
2.4 Business combinations	186	-	*186*	-	-
3. Decreases	**-807**	*-702*	*-105*	-	**-2,119**
3.1 Deferred tax liabilities eliminated in the period	-308	*-257*	*-51*	-	-1,553
a) reversals	*-265*	*-245*	*-20*	-	*-1,517*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-43*	*-12*	*-31*	-	*-36*
3.2 Tax rate reductions	-3	*-3*	-	-	-
3.3 Other decreases	-496	*-442*	*-54*	-	-564
3.4 Business combinations	-	-	-	-	-2
4. Final amount	**2,409**	*1,736*	*673*	-	**1,979**

Other increases recorded under point 2.3, totalling 720 million euro, mainly include the reversal of offsetting performed in the previous year.
Other decreases as per point 3.3, amounting to 496 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 2010, pursuant to the aforementioned regulation, greater amounts of goodwill were detaxed regarding several companies subject to full consolidation that came to light during spin-off and contribution transactions undertaken on a tax-neutral basis.
The detaxation of the above goodwill resulted in the recognition in the income statement of both substitute tax of 86 million euro and the deferred tax assets representing the future tax benefit of 172 million euro, with a net tax benefit to the income statement of 86 million euro.

14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2009
1. Initial amount	**376**	*331*	*45*	-	**595**
2. Increases	**483**	*236*	*247*	-	**89**
2.1 Deferred tax assets recognised in the period	355	*182*	*173*	-	59
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*355*	*182*	*173*	-	*59*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	128	*54*	*74*	-	30
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-94**	*-91*	*-3*	-	**-308**
3.1 Deferred tax assets eliminated in the period	-31	*-31*	-	-	-253
a) reversals	*-14*	*-14*	-	-	*-219*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-17*	*-17*	-	-	*-34*
3.2 Tax rate reductions	-1	*-1*	-	-	-
3.3 Other decreases	-62	*-59*	*-3*	-	-55
3.4 Business combinations	-	-	-	-	-
4. Final amount	**765**	*476*	*289*	-	**376**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2009
1. Initial amount	**145**	*114*	*31*	-	**84**
2. Increases	**243**	*117*	*126*	-	**171**
2.1 Deferred tax liabilities recognised in the period	144	*44*	*100*	-	72
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*144*	*44*	*100*	-	*72*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	99	*73*	*26*	-	99
2.4 Business combinations	-	-	-	-	-
3. Decreases	**-189**	*-166*	*-23*	-	**-110**
3.1 Deferred tax liabilities eliminated in the period	-88	*-77*	*-11*	-	-69
a) reversals	*-28*	*-28*	-	-	*-32*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-60*	*-49*	*-11*	-	*-37*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-101	*-89*	*-12*	-	-41
3.4 Business combinations	-	-	-	-	-
4. Final amount	**199**	*65*	*134*	-	**145**

Probability test on deferred taxation

IAS 12 requires that deferred tax assets and liabilities be recognised according to the following criteria:

- taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
- deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Deferred tax assets not recognised in a given year - inasmuch as the requirements for recognition have not been met - must be recognised during the year in which those requirements are met.

The carrying amount of deferred tax assets must therefore be tested each year to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.
Considering the significant amount of deferred tax assets carried in the Group's financial statements, including the 2010 financial statements, as for previous financial statements, an analysis was conducted to verify projections of future profitability sufficient to

ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (a procedure known as a "probability test").
In detail, the test consisted of:
a) analysing the deferred tax assets and liabilities carried in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable recovery timing;
b) provisionally determining the amount of the Group's future earnings in order to verify its ability to recover recognised deferred tax assets.
The analysis conducted indicated a taxable base that was more than sufficient and adequate to allow recovery of the deferred tax assets carried in the financial statements as at 31 December 2010.

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)

	31.12.2010	Of which:			31.12.2009
		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	-	-	-	-	-
A.3 Property and equipment	75	*75*	-	-	4
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**75**	*75*	-	-	**4**
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	10
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	-	-	-	-	5,200
B.6 Loans to customers	-	-	-	-	588
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	-	-	-	-	4
B.9 Intangible assets	-	-	-	-	540
B.10 Other	-	-	-	-	206
Total B	**-**	-	-	-	**6,548**
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
D.2 Due to customers	-	-	-	-	9,126
D.3 Securities issued	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	9
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	-	-	-	-	5
D.7 Other	-	-	-	-	337
Total D	**-**	-	-	-	**9,723**

The caption includes real-estate assets to be sold in the near future by Cassa di Risparmio di Firenze, Cassa di Risparmio del Veneto and the Parent Company.

15.2 Other information

There is no other significant information to note as at 31 December 2010.

15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2010, 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	2,065	*2,065*	-	-
Amounts to be debited - deriving from securities transactions	510	*510*	-	-
Transit items	235	*235*	-	-
Cheques drawn on the bank settled	16	*16*	-	-
Leasehold improvements	162	*162*	-	-
Amounts due from tax authorities relating to insurance business	812	-	*812*	-
Other	4,863	*4,053*	*787*	*23*
TOTAL 31.12.2010	**8,663**	*7,041*	*1,599*	*23*
TOTAL 31.12.2009	**11,785**	*10,761*	*1,020*	*4*

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2009
1. Due to Central Banks	**8,647**	*8,647*	-	-	**8,033**
2. Due to banks	**44,213**	*44,043*	*19*	*151*	**35,336**
2.1 Current accounts and deposits	5,518	*5,417*	*1*	*100*	7,134
2.2 Time deposits	9,177	*9,165*	-	*12*	10,385
2.3 Loans	29,251	*29,194*	*18*	*39*	17,535
2.3.1 Repurchase agreements	*17,679*	*17,679*	-	-	*6,029*
2.3.2 Other	*11,572*	*11,515*	*18*	*39*	*11,506*
2.4 Debts for commitments to repurchase own equity instruments	233	*233*	-	-	204
2.5 Other debts	34	*34*	-	-	78
TOTAL	**52,860**	*52,690*	*19*	*151*	**43,369**
Fair value	**52,697**	*52,526*	*20*	*151*	**43,413**

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 147 million euro;
- Put & Call Agreement to purchase the remaining 13.25% of Banca Intesa (Closed Joint-stock Company, formerly KMB Bank) for approximately 75 million euro.

1.2 Breakdown of caption 10 “Due to banks”: subordinated debts
There are no subordinated debts as at 31 December 2010.

1.3 Breakdown of caption 10 “Due to banks”: structured debts
There are no structured debts as at 31 December 2010.

1.4 Due to banks with specific hedges
As at 31 December 2010, debts with fair value hedges amounted to 536 million euro, of which 270 million euro against interest rate risk and 266 million euro against several risks.

1.5 Financial lease payables
There are no financial lease payables due to banks as at 31 December 2010.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2010	*Of which:* Banking group	*Of which:* Insurance companies	*Of which:* Other companies	31.12.2009
1. Current accounts and deposits	167,326	*167,326*	-	-	171,419
2. Time deposits	31,033	*31,033*	-	-	26,213
3. Loans	18,341	*18,310*	*31*	-	10,857
3.1 Repurchase agreements	*13,111*	*13,111*	-	-	*7,422*
3.2 Other	*5,230*	*5,199*	*31*	-	*3,435*
4. Debts for commitments to repurchase own equity instruments	619	*619*	-	-	582
5. Other debts	3,745	*3,566*	*179*	-	1,743
TOTAL	**221,064**	*220,854*	*210*	-	**210,814**
Fair value	**220,824**	*220,614*	*210*	-	**210,860**

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 32.90% of Cassa di Risparmio di Pistoia for a total of approximately 118 million euro;
- Put & Call Agreement to purchase 8.72% of Banca di Trento e Bolzano for a total of approximately 37 million euro;
- Put & Call Agreement to purchase the remaining 7.00% of Banca Intesa a.d. Beograd for a total of approximately 71 million euro.

2.2 Breakdown of caption 20 “Due to customers”: subordinated debts

As at 31 December 2010, the amount under Due to customers included subordinated debts of 106 million euro.

2.3 Breakdown of caption 20 “Due to customers”: structured debts

There are no structured debts as at 31 December 2010.

2.4 Due to customers with specific hedges

As at 31 December 2010, debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

As at 31 December 2010, financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2010				31.12.2009			
	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Book value	Fair value Level 1	Fair value Level 2	Fair value Level 3
Securities								
1. bonds	143,701	46,253	94,903	-	143,607	41,173	101,963	-
1.1 structured	*30,502*	*3,196*	*27,045*	-	*29,075*	*1,388*	*27,663*	-
1.2 other	*113,199*	*43,057*	*67,858*	-	*114,532*	*39,785*	*74,300*	-
2. other	36,282	-	35,555	726	41,636	-	40,312	1,325
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*36,282*	-	*35,555*	*726*	*41,636*	-	*40,312*	*1,325*
TOTAL	**179,983**	**46,253**	**130,458**	**726**	**185,243**	**41,173**	**142,275**	**1,325**

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 2010 have a negative fair value of 745 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)

	31.12.2010				31.12.2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	143,700	46,253	94,902	-	143,605	41,173	101,962	-
1.1 structured	*30,502*	*3,196*	*27,045*	-	*29,075*	*1,388*	*27,663*	-
1.2 other	*113,198*	*43,057*	*67,857*	-	*114,530*	*39,785*	*74,299*	-
2. other	34,915	-	34,188	726	39,870	-	38,546	1,325
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*34,915*	-	*34,188*	*726*	*39,870*	-	*38,546*	*1,325*
TOTAL	**178,615**	**46,253**	**129,090**	**726**	**183,475**	**41,173**	**140,508**	**1,325**

3.1 Of which: Insurance companies

(millions of euro)

	31.12.2010				31.12.2009			
	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	-	2	-	1	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*1*	-	*1*	-	*2*	-	*1*	-
2. other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**1**	**-**	**1**	**-**	**2**	**-**	**1**	**-**

3.1 Of which: Other companies

(millions of euro)

	31.12.2010				31.12.2009			
	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	1,367	-	1,367	-	1,766	-	1,766	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*1,367*	-	*1,367*	-	*1,766*	-	*1,766*	-
TOTAL	**1,367**	**-**	**1,367**	**-**	**1,766**	**-**	**1,766**	**-**

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 24,090 million euro.

3.3 Breakdown of caption 30 "Securities issued": securities with specific hedges

(millions of euro)

	31.12.2010	31.12.2009
1. Securities with specific fair value hedges	**108,512**	**107,212**
a) Interest rate risk	104,087	104,655
b) Foreign exchange risk	-	-
c) Various risks	4,425	2,557
2. Securities with specific cash flow hedges	**406**	**1,309**
a) Interest rate risk	406	1,309
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**108,918**	**108,521**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2010					31.12.2009				
	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	**2,459**	**2,577**	**2**	**-**	**2,579**	**2,307**	**2,300**	**7**	**-**	**2,307**
2. Due to customers	**186**	**185**	**-**	**-**	**185**	**92**	**94**	**-**	**-**	**94**
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	**2,645**	**2,762**	**2**	**-**	**2,764**	**2,399**	**2,394**	**7**	**-**	**2,401**
B. DERIVATIVES										
1. Financial derivatives	**X**	**1,163**	**38,316**	**379**	**X**	**X**	**484**	**36,630**	**15**	**X**
1.1 Trading	X	1,163	37,598	316	X	X	484	35,589	15	X
1.2 Fair value option	X	-	-	-	X	X	-	8	-	X
1.3 Other	X	-	718	63	X	X	-	1,033	-	X
2. Credit derivatives	**X**	**90**	**1,897**	**436**	**X**	**X**	**-**	**2,261**	**458**	**X**
2.1 Trading	X	90	1,897	436	X	X	-	2,261	458	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,253**	**40,213**	**815**	**X**	**X**	**484**	**38,891**	**473**	**X**
TOTAL (A+B)	**X**	**4,015**	**40,215**	**815**	**X**	**X**	**2,878**	**38,898**	**473**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1 Di cui: pertinenza del Gruppo bancario

(millions of euro)

	31.12.2010					31.12.2009				
	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	**2,459**	**2,577**	**2**	**-**	**2,579**	**2,307**	**2,300**	**7**	**-**	**2,307**
2. Due to customers	**186**	**185**	**-**	**-**	**185**	**92**	**94**	**-**	**-**	**94**
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	**2,645**	**2,762**	**2**	**-**	**2,764**	**2,399**	**2,394**	**7**	**-**	**2,401**
B. DERIVATIVES										
1. Financial derivatives	**X**	**1,159**	**38,272**	**379**	**X**	**X**	**481**	**36,585**	**15**	**X**
1.1 Trading	X	1,159	37,583	316	X	X	481	35,573	15	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	689	63	X	X	-	1,012	-	X
2. Credit derivatives	**X**	**90**	**1,897**	**436**	**X**	**X**	**-**	**2,261**	**458**	**X**
2.1 Trading	X	90	1,897	436	X	X	-	2,261	458	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,249**	**40,169**	**815**	**X**	**X**	**481**	**38,846**	**473**	**X**
TOTAL (A+B)	**X**	**4,011**	**40,171**	**815**	**X**	**X**	**2,875**	**38,853**	**473**	**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)

	31.12.2010					31.12.2009				
	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**	**4**	**44**	**-**	**X**	**X**	**3**	**45**	**-**	**X**
1.1 Trading	X	4	15	-	X	X	3	16	-	X
1.2 Fair value option	X	-	-	-	X	X	-	8	-	X
1.3 Other	X	-	29	-	X	X	-	21	-	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**	**4**	**44**	**-**	**X**	**X**	**3**	**45**	**-**	**X**
TOTAL (A+B)	**X**	**4**	**44**	**-**	**X**	**X**	**3**	**45**	**-**	**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 2010.

4.3 Breakdown of caption 40 "Financial liabilities held for trading": structured debts

The Group has structured debts of 65 million euro classified under Financial liabilities held for trading as at 31 December 2010.

4.4 Financial cash liabilities (excluding "short selling") held for trading: annual changes

As at 31 December 2010, 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)

	31.12.2010					31.12.2009				
	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	24,906	3,722	21,184	-	24,906	22,662	464	22,198	-	22,635
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*24,906*	*3,722*	*21,184*	-	*X*	*22,662*	*464*	*22,198*	-	*X*
3. Debt securities	1,253	-	1,238	-	1,240	3,288	-	3,225	-	3,353
3.1 structured	*1,228*	-	*1,213*	-	*X*	*3,288*	-	*3,225*	-	*X*
3.2 other	*25*	-	*25*	-	*X*	-	-	-	-	*X*
TOTAL	**26,159**	**3,722**	**22,422**	**-**	**26,146**	**25,950**	**464**	**25,423**	**-**	**25,988**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which: Banking group

(millions of euro)

	31.12.2010					31.12.2009				
	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	1,253	-	1,238	-	1,240	3,288	-	3,225	-	3,353
3.1 structured	*1,228*	-	*1,213*	-	*X*	*3,288*	-	*3,225*	-	*X*
3.2 other	*25*	-	*25*	-	*X*	-	-	-	-	*X*
TOTAL	**1,253**	**-**	**1,238**	**-**	**1,240**	**3,288**	**-**	**3,225**	**-**	**3,353**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which: Insurance companies

(millions of euro)

	31.12.2010					31.12.2009				
	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	24,906	3,722	21,184	-	24,906	22,662	464	22,198	-	22,635
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*24,906*	*3,722*	*21,184*	-	*X*	*22,662*	*464*	*22,198*	-	*X*
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	-	-	-	-	*X*
TOTAL	**24,906**	**3,722**	**21,184**	**-**	**24,906**	**22,662**	**464**	**22,198**	**-**	**22,635**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value as at 31 December 2010 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

There are no subordinated liabilities classified under Financial liabilities designated at fair value as at 31 December 2010.

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	**-**	**22,662**	**3,225**	**25,887**
B. Increases	**-**	**5,020**	**88**	**5,108**
B.1 issues	-	195	25	**220**
B.2 sales	-	2,278	18	**2,296**
of which business combinations	-	*2,278*	-	*2,278*
B.3 positive fair value differences	-	701	21	**722**
B.4 other changes	-	1,846	24	**1,870**
C. Decreases	**-**	**-2,776**	**-2,075**	**-4,851**
C.1 purchases	-	-1,461	-288	**-1,749**
C.2 reimbursements	-	-368	-1,753	**-2,121**
C.3 negative fair value differences	-	-67	-17	**-84**
C.4 other changes	-	-880	-17	**-897**
D. Final amount	**-**	**24,906**	**1,238**	**26,144**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and hierarchical level

(millions of euro)

	Fair value 31.12.2010			Notional value	Fair value 31.12.2009			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**5,884**	**-**	**117,406**	**-**	**5,179**	**-**	**79,859**
1. Fair value	-	4,660	-	105,181	-	4,439	-	70,724
2. Cash flows	-	1,224	-	12,225	-	740	-	9,135
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**5,884**	**-**	**117,406**	**-**	**5,179**	**-**	**79,859**

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	1,244	-	-	-	-	X	-	X	X
2. Loans	1,835	-	-	X	86	X	50	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	32	X	5	X
5. Other transactions	4	-	-	-	-	X	-	X	-
Total assets	**3,083**	**-**	**-**	**-**	**86**	**32**	**50**	**5**	**-**
1. Financial liabilities	1,033	-	-	X	403	X	9	X	X
2. Portfolio	X	X	X	X	X	23	X	1,160	X
Total liabilities	**1,033**	**-**	**-**	**-**	**403**	**23**	**9**	**1,160**	**-**
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	1,126	-	-	-	-	X	-	X	X
2. Loans	1,835	-	-	X	86	X	50	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	32	X	5	X
5. Other transactions	4	-	-	-	-	X	-	X	-
Total assets	**2,965**	**-**	**-**	**-**	**86**	**32**	**50**	**5**	**-**
1. Financial liabilities	1,033	-	-	X	403	X	1	X	X
2. Portfolio	X	X	X	X	X	23	X	1,160	X
Total liabilities	**1,033**	**-**	**-**	**-**	**403**	**23**	**1**	**1,160**	**-**
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 mainly refer to specific fair value hedges of liabilities issued and generic cash flow hedge derivatives of portfolios of liabilities. These cash flow hedges refer to floating rate securities used to fund fixed rate investments.
There are also specific fair value hedges of loans and generic fair value hedges of core deposits.

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	118	-	-	-	-	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	**118**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-

6.2 Of which: Other companies

As at 31 December 2010, the amount pertaining to other companies for specific cash flow hedge derivatives was 8 million euro.

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)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,536	*1,536*	-	-	***1,655***
2. Negative fair value change of financial liabilities	-124	*-124*	-	-	***-142***
TOTAL	**1,412**	*1,412*	-	-	***1,513***

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

	31.12.2010	31.12.2009
1. Debts	-	-
2. Portfolio	29,720	33,923
TOTAL	**29,720**	**33,923**

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)

	31.12.2010	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,185	*1,174*	*7*	*4*
Amounts due to third parties	249	*249*	-	-
Transit items	238	*238*	-	-
Adjustments for portfolio items to be settled	1,078	*1,078*	-	-
Amounts to be credited and items under processing	2,609	*2,609*	-	-
Personnel charges	797	*796*	*1*	-
Due to social security entities	176	*176*	-	-
Guarantees given and commitments	426	*426*	-	-
Other items relating to insurance business	2,818	-	*2,818*	-
Due to tax authorities	602	*383*	*219*	-
Other	3,480	*2,862*	*611*	*7*
TOTAL 31.12.2010	**13,658**	*9,991*	*3,656*	*11*
TOTAL 31.12.2009	**15,755**	*14,558*	*1,195*	*2*

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,374**	*1,370*	*4*	-	**1,487**
B. Increases	**242**	*240*	*2*	-	**385**
B.1 Provisions in the year	61	*60*	*1*	-	63
B.2 Other	181	*180*	*1*	-	322
of which business combinations	*1*	-	*1*	-	-
C. Decreases	**-246**	*-246*	-	-	**-498**
C.1 Benefits paid	-159	*-159*	-	-	-147
C.2 Other	-87	*-87*	-	-	-351
of which business combinations	-	-	-	-	-
D. Final amount	**1,370**	*1,364*	*6*	-	**1,374**

C.1 refers to benefits paid as at 31 December 2010.
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 1,327 million euro at the end of 2010, while at the end of 2009 it amounted to 1,405 million euro.
Actuarial gains not recognised in the income statement in 2010, in application of the "corridor approach", totalled 47 million euro and actuarial losses amounted to 4 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**374**	*374*	*-*	*-*	**512**
2. Other allowances for risks and charges	**2,906**	*2,894*	*12*	*-*	**2,908**
2.1 Legal disputes	1,108	*1,104*	*4*	*-*	1,201
2.2 Personnel charges	786	*779*	*7*	*-*	742
2.3 Other	1,012	*1,011*	*1*	*-*	965
TOTAL	**3,280**	*3,268*	*12*	*-*	**3,420**

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	**512**	**2,908**	*512*	*2,899*	*-*	*9*	*-*	*-*
B. Increases	**55**	**1,030**	*55*	*1,018*	*-*	*12*	*-*	*-*
B.1 Provisions in the year	40	817	*40*	*810*	*-*	*7*	*-*	*-*
B.2 Time value changes	15	39	*15*	*39*	*-*	*-*	*-*	*-*
B.3 Changes due to discount rate variations	-	3	*-*	*3*	*-*	*-*	*-*	*-*
B.4 Other	-	171	*-*	*166*	*-*	*5*	*-*	*-*
of which business combinations	-	2	*-*	*-*	*-*	*2*	*-*	*-*
C. Decreases	**-193**	**-1,032**	*-193*	*-1,023*	*-*	*-9*	*-*	*-*
C.1 Uses in the year	-146	-561	*-146*	*-556*	*-*	*-5*	*-*	*-*
C.2 Changes due to discount rate variations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Other	-47	-471	*-47*	*-467*	*-*	*-4*	*-*	*-*
of which business combinations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
D. Final amount	**374**	**2,906**	*374*	*2,894*	*-*	*12*	*-*	*-*

As at 31 December 2010 the variations due to changes in the discounting rate totalled 3 million euro, of which 2 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 the companies of the Intesa Sanpaolo Group are co-obliged, 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 if the employee matured or not 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 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 determined 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;

– 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 until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of 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;
– 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 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: 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 (Egypt): defined benefit plans providing health coverage and other benefits to 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, full economic independence and independent asset management.
– 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. The fund includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the Sanpaolo IMI internal fund; 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; 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; 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; 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; retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 1 January 2008; retired employees of the former CR Firenze FIP internal fund, transferred to the mentioned Fund as at 1 January 2010; retired employees of the Cassa di Risparmio di Terni e Narni internal fund, transferred to the mentioned Fund as at 1 January 2010;
– Pension fund for employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence;
– 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;
– 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. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);

– Pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence and independent asset management;
– 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 transfer of the Supplementary pension fund for employees of Cassa di Risparmio di Firenze – ordinary section (internal plan) to the Complementary pension fund for employees of Banco di Napoli.

(millions of euro)

Defined benefit obligations	31.12.2010			31.12.2009		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,405**	**357**	**3,014**	**1,468**	**387**	**2,632**
Current service costs	5	3	21	2	2	20
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	56	15	142	61	22	143
Recognised actuarial losses	-	1	-	-	1	-
Unrecognised actuarial losses	-	21	3	51	29	140
Positive exchange differences	-	3	1	-	3	-
Increases - business combinations	1	-	-	-	-	-
Participants' contributions	-	-	-	-	-	-
Recognised actuarial gains	-	-	-	-	-	-
Unrecognised actuarial gains	-75	-4	-137	-2	-25	-
Negative exchange differences	-	-	-	-	-2	-
Benefits paid	-159	-86	-229	-147	-26	-264
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	-	-	-	-	-40	-
Settlements of the fund	-	-	-	-	-	-
Other increases	180	-	40	67	6	343
Other decreases	-86	-39	-	-95	-	-
Final amount	**1,327**	**271**	**2,855**	**1,405**	**357**	**3,014**
Total unrecognised actuarial gains	**-75**	**-4**	**-137**	**-2**	**-25**	**-**
Total unrecognised actuarial losses	**-**	**21**	**3**	**51**	**29**	**140**

Liabilities of the defined benefit obligations pension plan	31.12.2010			31.12.2009		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,327	147	-	1,405	125	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	124	2,855	-	232	3,014

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 transfer of the Supplementary pension fund for employees of Cassa di Risparmio di Firenze – ordinary section (internal plan) to the pension fund.

(millions of euro)

Plan assets	31.12.2010		31.12.2009	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**202**	**2,858**	**187**	**2,447**
Expected return	5	130	10	142
Recognised actuarial losses	-	-	-	-
Unrecognised actuarial losses	-	-32	-1	-26
Positive exchange differences	2	1	3	-
Increases- business combinations	-	-	-	-
Employer contributions	3	-	3	-
Participants' contributions	-	-	2	-
Recognised actuarial gains	-	-	-	-
Unrecognised actuarial gains	3	133	11	55
Negative exchange differences	-	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-86	-229	-15	-264
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-
Other changes	-38	84	2	504
Final amount	**91**	**2,945**	**202**	**2,858**
Total unrecognised actuarial gains	**3**	**133**	**11**	**55**
Total unrecognised actuarial losses	**-**	**-32**	**-1**	**-26**

(millions of euro)

	31.12.2010				31.12.2009			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and mutual equity funds	41	45.0	440	15.0	38	18.8	363	12.7
Debt securities and mutual bond investment funds	27	29.7	1,429	48.5	28	13.9	1,569	54.9
Real estate assets and equity shareholdings in real estate companies	5	5.5	789	26.8	3	1.5	661	23.1
Insurance activities	-	-	-	-	15	7.4	-	-
Other assets	18	19.8	287	9.7	118	58.4	265	9.3
TOTAL	**91**	**100.0**	**2,945**	**100.0**	**202**	**100.0**	**2,858**	**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)

	31.12.2010			31.12.2009		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	1,327	271	2,855	1,405	357	3,014
2. Fair value of the plan assets	-	91	2,945	-	202	2,858
A. Fund status	**1,327**	**180**	**-90**	**1,405**	**155**	**156**
1. Unrecognised actuarial gains (sum of cumulated gains)	47	4	103	4	30	1
2. Unrecognised actuarial losses (sum of cumulated losses)	-4	-50	-105	-35	-34	-174
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	205	-	-	113
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**43**	**-46**	**203**	**-31**	**-4**	**-60**
Recognised assets	**-**	**27**	**-**	**-**	**136**	**-**
Recognised liabilities	**1,370**	**161**	**218**	**1,374**	**272**	**205**

In addition to the liabilities described above, additional provisions for risks and charges were made in order to cover risks as follows:

– 5 million euro to cover forecasts of liquidation of several minor funds;
– 22 million euro to cover settlement of the former Crediop Fund (1 million) and the former Banco di Napoli Fund (21 million), given the immediate coverage obligation envisaged by the articles of association of the funds themselves.

5. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2010				31.12.2009			
	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	4.5%	X	2.6%	2.0%	4.0%	X	2.5%	2.0%
INTERNAL PLANS								
Pension fund for employees of Mediocredito Lombardo	5.1%	4.6%	-	2.0%	4.6%	4.9%	-	2.0%
Pension fund for the tax-collection employees of former Cariplo	4.9%	4.3%	-	2.0%	4.3%	4.6%	-	2.0%
Pension fund for Managers of former Comit (API)	4.5%	3.9%	-	2.0%	3.9%	4.3%	-	2.0%
London branch pension fund	5.5%	-	4.7%	3.4%	5.7%	-	4.9%	3.6%
New York branch pension fund	-	-	-	-	6.3%	7.5%	3.0%	2.5%
Cassa di Risparmio di Viterbo fund	4.3%	0.0%	2.9%	2.0%	3.7%	4.1%	2.9%	2.0%
Cassa di Ascoli Piceno fund	5.0%	0.0%	2.8%	2.0%	4.8%	4.9%	2.8%	2.0%
Cassa di Città di Castello fund	5.0%	0.0%	2.8%	2.0%	4.3%	4.7%	3.2%	2.0%
Cassa di Foligno fund	4.8%	0.0%	2.8%	2.0%	4.3%	4.6%	2.4%	2.0%
Cassa di Rieti fund	4.8%	0.0%	2.8%	2.0%	4.3%	4.6%	2.8%	2.0%
Cassa di Spoleto fund	5.0%	4.4%	2.8%	2.0%	4.4%	4.8%	2.4%	2.0%
Cassa di Terni e Narni fund	0.0%	0.0%	0.0%	0.0%	3.7%	4.1%	2.9%	2.0%
Banca CR Firenze (Mirandola) fund	4.7%	-	-	2.0%	4.1%	-	-	2.0%
Cassa di Risparmio di Pistoia e Pescia fund	4.7%	-	-	2.0%	4.1%	-	-	2.0%
Cassa di Risparmio di Civitavecchia fund	5.0%	-	-	2.0%	4.8%	-	-	2.0%
Cassa di Risparmio di La Spezia fund	4.8%	-	-	2.0%	4.1%	-	-	2.0%
Medical Plan Bank of Alexandria	11.0%	-	7.0%	7.0%	10.5%	-	10.0%	6.0%
EXTERNAL PLANS								
Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino	5.4%	4.9%	2.0%	2.0%	4.9%	5.0%	1.5%	2.0%
New York branch pension fund	6.0%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supplementary pension fund for Employees of Banco di Napoli - Sect. A	5.0%	4.4%	2.0%	2.0%	4.4%	4.8%	1.5%	2.0%
Pension fund for employees of former Cariplo	4.9%	4.3%	-	2.0%	4.3%	4.6%	-	2.0%
Pension fund for employees of former Crediop	5.1%	4.6%	2.0%	2.0%	4.6%	4.9%	1.5%	2.0%
Employee pension fund Cariparo-retired employees section	5.2%	4.6%	-	2.0%	4.6%	4.9%	-	2.0%
Cassa di Risparmio di Firenze "ex-exempted" pension fund	5.4%	-	-	2.0%	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)

	31.12.2010	31.12.2009
2. Other allowances		
2.1 legal disputes	1,108	1,201
2.2 personnel charges	786	742
incentive-driven exit plans	*181*	*484*
employee seniority bonuses	*176*	*175*
other personnel expenses	*429*	*83*
2.3 other risks and charges	1,012	965
other indemnities due to agents of the distribution network	*218*	*187*
customers' complaints on Cirio, Argentina and Parmalat placements	*-*	*15*
other	*794*	*763*
TOTAL	**2,906**	**2,908**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2010	31.12.2009
A. Non-life business	**286**	**-**	**286**	**236**
A.1 premiums reserves	189	-	189	162
A.2 claims reserves	93	-	93	70
A.3 other reserves	4	-	4	4
B. Life business	**39,328**	**-**	**39,328**	**18,557**
B.1 mathematical reserves	38,443	-	38,443	17,958
B.2 reserves for amounts to be disbursed	539	-	539	332
B.3 other reserves	346	-	346	267
C. Technical reserves for investment risks to be borne by the insured	**10,574**	**-**	**10,574**	**4,789**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	9,390	-	9,390	3,821
C.2 reserves from pension fund management	1,184	-	1,184	968
D. Total insurance reserves carried by reinsurers	**50,188**	**-**	**50,188**	**23,582**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2010	31.12.2009
A. Non-life business	**286**	**236**
Initial amount as at 31.12.2008	236	201
Business combinations	-	-
Changes in the reserve (+/-)	50	35
B. Life business and other technical reserves	**49,902**	**23,346**
Initial amount as at 31.12.2008	23,346	20,047
Business combinations	23,271	-
Change in premiums	10,622	6,026
Change in payments	-6,283	-3,622
Changes due to income and other bonuses recognised to insured parties (+/-)	1,190	540
Changes due to exchange differences (+/-)	3	-1
Changes in other technical reserves (+/-)	-2,247	356
C. Total technical reserves	**50,188**	**23,582**

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 (-)	**-76,327**	**-**
A.2 Shares outstanding: initial number	**11,849,256,040**	**932,490,561**
B. Increases	**76,327**	**-**
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	76,327	-
B.3 Other	-	-
C. Decreases	**-**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**11,849,332,367**	**932,490,561**
D.1 Treasury shares (+)	-	-
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 2010 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, give 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 saving 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 saving shares have the same rights as other shares. In the case of liquidation of the Company, saving 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 6 million euro), in relation to its trading activities, and by collective investment entities (for an exchange value of 3 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 12,143 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 5,601 million euro, as well as the consolidation reserve equal to 6,542 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 ex 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 negative 1,054 million euro and included valuation reserves of financial assets available for sale for -662 million euro, reserves of cash flow hedge derivatives for -494 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -241 million euro and legally-required revaluation reserves for +343 million euro.

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)

	31.12.2010	Of which:			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1) Financial guarantees given	**17,821**	*17,821*	-	-	**16,701**
a) Banks	2,465	*2,465*	-	-	1,652
b) Customers	15,356	*15,356*	-	-	15,049
2) Commercial guarantees given	**33,271**	*33,271*	-	-	**33,670**
a) Banks	3,384	*3,384*	-	-	3,350
b) Customers	29,887	*29,887*	-	-	30,320
3) Irrevocable commitments to lend funds	**58,752**	*58,752*	-	-	**50,763**
a) Banks	5,716	*5,716*	-	-	6,191
- of certain use	*3,892*	*3,892*	-	-	*4,778*
- of uncertain use	*1,824*	*1,824*	-	-	*1,413*
b) Customers	53,036	*53,036*	-	-	44,572
- of certain use	*12,356*	*12,356*	-	-	*8,561*
- of uncertain use	*40,680*	*40,680*	-	-	*36,011*
4) Underlying commitments on credit derivatives: protection sales	**59,519**	*59,519*	-	-	**82,203**
5) Assets pledged as collateral of third party commitments	**75**	*75*	-	-	**7**
6) Other commitments	**2,906**	*2,906*	-	-	**12,888**
TOTAL	**172,344**	*172,344*	-	-	**196,232**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2010	*Of which:*			31.12.2009
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets held for trading	13,041	*13,041*	-	-	8,843
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-
3. Financial assets available for sale	10,034	*10,034*	-	-	8,329
4. Investments held to maturity	256	*256*	-	-	213
5. Due from banks	3,424	*3,424*	-	-	232
6. Loans to customers	14,304	*14,304*	-	-	7,441
7. Property and equipment	-	-	-	-	163
TOTAL	**41,059**	*41,059*	-	-	**25,221**

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	31.12.2010
Assets in the balance sheet	8,998	1,163	10,161
Intra-group assets	15,945	1	15,946
Total Assets	**24,943**	**1,164**	**26,107**
Financial liabilities in the balance sheet	18,389	-	18,389
Technical reserves in the balance sheet	9,390	1,184	10,574
Intra-group liabilities	178	-	178
Total Liabilities	**27,957**	**1,184**	**29,141**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2010	31.12.2009
1. Trading on behalf of customers		
a) Purchases	559,008	967,167
1. settled	*557,825*	*965,761*
2. to be settled	*1,183*	*1,406*
b) Sales	595,768	941,678
1. settled	*595,515*	*941,635*
2. to be settled	*253*	*43*
2. Portfolio management		
a) individual	74,249	65,764
b) collective	72,988	83,557
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	60,436	137,779
1. securities issued by companies included in the consolidation area	*38,795*	*7,675*
2. other securities	*21,641*	*130,104*
b) third party securities held in deposit (excluding portfolio management): other	748,346	651,770
1. securities issued by companies included in the consolidation area	*141,352*	*158,392*
2. other securities	*606,994*	*493,378*
c) third party securities deposited with third parties	748,031	776,743
d) portfolio securities deposited with third parties	148,236	82,338
4. Other	**214,269**	**121,126**

Caption 3. Custody and administration of securities - Third-party securities held in deposit: related to depositary bank activities" recorded a significant decline due to disposal of the Securities Service business, completed on 17 May 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	2010	2009
1. Financial assets held for trading	690	1	-	691	801
2. Financial assets designated at fair value through profit and loss	198	-	-	198	145
3. Financial assets available for sale	1,311	1	-	1,312	1,021
4. Investments held to maturity	123	-	-	123	170
5. Due from banks	170	533	3	706	808
6. Loans to customers	506	11,759	6	12,271	15,126
7. Hedging derivatives	X	X	2,186	2,186	1,520
8. Other assets	X	X	13	13	16
TOTAL	**2,998**	**12,294**	**2,208**	**17,500**	**19,607**

Interest and similar income also includes interest income on securities relating to repurchase agreements.

1.1 Of which: Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2010	2009
1. Financial assets held for trading	672	1	-	673	797
2. Financial assets designated at fair value through profit and loss	28	-	-	28	49
3. Financial assets available for sale	472	1	-	473	461
4. Investments held to maturity	123	-	-	123	170
5. Due from banks	164	532	3	699	803
6. Loans to customers	497	11,750	6	12,253	15,093
7. Hedging derivatives	X	X	2,207	2,207	1,520
8. Other assets	X	X	13	13	14
TOTAL	**1,956**	**12,284**	**2,229**	**16,469**	**18,907**

1.1 Of which: Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2010	2009
1. Financial assets held for trading	18	-	-	18	4
2. Financial assets designated at fair value through profit and loss	170	-	-	170	97
3. Financial assets available for sale	839	-	-	839	560
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	6	1	-	7	5
6. Loans to customers	-	-	-	-	-
7. Hedging derivatives	X	X	-20	-20	-
8. Other assets	X	X	-	-	1
TOTAL	**1,033**	**1**	**-20**	**1,014**	**667**

1.1 Of which: Other companies

(millions of euro)

	Debt securities	Loans	Other transactions	2010	2009
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	-	-	-	-
6. Loans to customers	9	9	-	18	32
7. Hedging derivatives	X	X	-1	-1	-
8. Other assets	X	X	-	-	1
TOTAL	**9**	**9**	**-1**	**17**	**33**

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2010	*Of which:*			2009
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	4,294	*4,294*	*-*	*-*	5,236
B. Negative differentials on hedging transactions	-2,108	*-2,087*	*-20*	*-1*	-3,716
BALANCE (A - B)	**2,186**	*2,207*	*-20*	*-1*	**1,520**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2010 includes 2,075 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

As at 31 December 2010, Interest income on financial leases amounted to 655 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2010	2009
1. Due to Central Banks	50	X	-	50	33
2. Due to banks	433	X	2	435	801
3. Due to customers	1,321	X	1	1,322	1,952
4. Securities issued	X	5,064	-	5,064	5,564
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	2	2	4	-
7. Other liabilities and allowances	X	X	4	4	20
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,804**	**5,066**	**9**	**6,879**	**8,370**

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	2010	2009
1. Due to Central Banks	50	X	-	50	33
2. Due to banks	433	X	2	435	800
3. Due to customers	1,321	X	1	1,322	1,952
4. Securities issued	X	5,058	-	5,058	5,540
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value through profit and loss	-	2	-	2	-
7. Other liabilities and allowances	X	X	3	3	9
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,804**	**5,060**	**6**	**6,870**	**8,334**

1.4 Of which: Insurance companies

(millions of euro)

	Debts	Securities	Other transactions	2010	2009
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	-	X	-	-	1
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	-	-	2	2	-
7. Other liabilities and allowances	X	X	1	1	10
8. Hedging derivatives	X	X	-	-	-
TOTAL	**-**	**-**	**3**	**3**	**11**

1.4 Of which: Other companies

(millions of euro)

	Debts	Securities	Other transactions	2010	2009
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	-	X	-	-	-
3. Due to customers	-	X	-	-	-
4. Securities issued	X	6	-	6	24
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
8. Hedging derivatives	X	X	-	-	-
TOTAL	**-**	**6**	**-**	**6**	**25**

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance for 2010 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 2010 included 870 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

As at 31 December 2010, interest expense on financial leases was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2010	Of which:			2009
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	*383*	*383*	-	-	**338**
B) Credit derivatives	**6**	*6*	-	-	**-**
C) Management, dealing and consultancy services	**2,595**	*2,592*	-	*3*	**2,419**
1. trading in financial instruments	62	*62*	-	-	77
2. currency dealing	57	*57*	-	-	55
3. portfolio management	1,572	*1,572*	-	-	1,381
3.1. individual	*369*	*369*	-	-	*300*
3.2. collective	*1,203*	*1,203*	-	-	*1,081*
4. custody and administration of securities	87	*87*	-	-	72
5. depositary bank	18	*18*	-	-	11
6. placement of securities	249	*249*	-	-	259
7. reception and transmission of orders	185	*185*	-	-	187
8. consultancy services	54	*54*	-	-	70
8.1. on investments	25	*25*	-	-	8
8.2. on financial structure	29	*29*	-	-	62
9. distribution of third party services	311	*308*	-	*3*	307
9.1. portfolio management	*82*	*82*	-	-	*58*
9.1.1. individual	*5*	*5*	-	-	*6*
9.1.2. collective	*77*	*77*	-	-	*52*
9.2. insurance products	*224*	*221*	-	*3*	*244*
9.3. other products	*5*	*5*	-	-	*5*
D) Collection and payment services	**456**	*456*	-	-	**451**
E) Servicing related to securitisations	**1**	*1*	-	-	**11**
F) Services related to factoring	**118**	*118*	-	-	**106**
G) Tax collection services	**-**	-	-	-	**-**
H) Management of multilateral trading facilities	**-**	-	-	-	**-**
I) Management of current accounts	**912**	*912*	-	-	**917**
J) Other services	**2,023**	*1,649*	*374*	-	**1,899**
TOTAL	**6,494**	*6,117*	*374*	*3*	**6,141**

"J - Other services" mostly recorded fees on credit and debit cards of 690 million euro as well as commissions on loans of 734 million euro.

2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

	2010	2009
A) Group branches	**1,465**	**1,436**
1. portfolio management	999	963
2. placement of securities	229	244
3. third party services and products	237	229
B) "Door-to-door" sales	**639**	**474**
1. portfolio management	563	405
2. placement of securities	17	12
3. third party services and products	59	57
C) Other distribution channels	**25**	**34**
1. portfolio management	10	13
2. placement of securities	3	3
3. third party services and products	12	18

2.3 Fee and commission expense: breakdown

(millions of euro)

	2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2009
A) Guarantees received	**41**	*41*	-	-	**39**
B) Credit derivatives	**3**	*3*	-	-	**9**
C) Management, dealing and consultancy services	**643**	*638*	*5*	-	**561**
1. trading in financial instruments	31	*31*	-	-	35
2. currency dealing	2	*2*	-	-	2
3. portfolio management:	81	*79*	*2*	-	85
3.1 own portfolio	*79*	*79*	-	-	*83*
3.2 third party portfolio	*2*	-	*2*	-	*2*
4. custody and administration of securities	66	*63*	*3*	-	36
5. placement of financial instruments	39	*39*	-	-	53
6. "door-to-door" sale of financial instruments, products and services	424	*424*	-	-	350
D) Collection and payment services	**115**	*115*	-	-	**120**
E) Other services	**515**	*336*	*179*	-	**457**
TOTAL	**1,317**	***1,133***	***184***	**-**	**1,186**

"E) Other services" includes 233 million euro fees on credit and debit cards, 126 million euro on the placement of investment insurance products, 88 million euro on banking services to Italian branches, 56 million euro on banking services to foreign branches and 12 million euro on other minor services.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2010		Of which: Banking group		Of which: Insurance companies		Of which: Other companies		2009	
	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	314	5	314	3	-	2	-	-	326	4
B. Financial assets available for sale	84	9	*48*	*5*	*36*	*4*	-	-	76	2
C. Financial assets designated at fair value through profit and loss	45	8	-	*7*	*45*	*1*	-	-	44	2
D. Investments in associates and companies subject to joint control	25	X	*25*	*X*	-	*X*	-	*X*	25	X
TOTAL	**468**	**22**	*387*	*15*	*81*	*7*	-	-	**471**	**8**

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	**230**	**1,689**	**-271**	**-2,015**	**-367**
1.1 Debt securities	117	533	-236	-571	-157
1.2 Equities	5	730	-18	-1,195	-478
1.3 Quotas of UCI	108	413	-11	-244	266
1.4 Loans	-	-	-	-	-
1.5 Other	-	13	-6	-5	2
2. Financial liabilities held for trading	**26**	**253**	**-5**	**-324**	**-50**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	26	253	-5	-324	-50
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**414**
4. Derivatives	**6,659**	**38,757**	**-8,375**	**-36,727**	**246**
4.1 Financial derivatives	4,228	37,854	-6,049	-35,762	203
- on debt securities and interest rates	*3,221*	*30,303*	*-4,457*	*-28,967*	*100*
- on equities and stock indexes	*877*	*6,615*	*-1,478*	*-5,879*	*135*
- on currencies and gold	*X*	*X*	*X*	*X*	*-68*
- other	*130*	*936*	*-114*	*-916*	*36*
4.2 Credit derivatives	2,431	903	-2,326	-965	43
TOTAL	**6,915**	**40,699**	**-8,651**	**-39,066**	**243**

"Net result" includes profits, losses, revaluations and write-downs on currency and gold derivatives.
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	**210**	**1,672**	**-242**	**-1,996**	**-356**
1.1 Debt securities	112	517	-211	-555	-137
1.2 Equities	5	730	-18	-1,195	-478
1.3 Quotas of UCI	93	412	-7	-241	257
1.4 Loans	-	-	-	-	-
1.5 Other	-	13	-6	-5	2
2. Financial liabilities held for trading	**26**	**253**	**-5**	**-324**	**-50**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	26	253	-5	-324	-50
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**452**
4. Derivatives	**6,651**	**38,751**	**-8,370**	**-36,721**	**243**
4.1 Financial derivatives	4,220	37,848	-6,044	-35,756	200
- on debt securities and interest rates	*3,220*	*30,298*	*-4,455*	*-28,961*	*102*
- on equities and stock indexes	*870*	*6,614*	*-1,475*	*-5,879*	*130*
- on currencies and gold	*X*	*X*	*X*	*X*	*-68*
- other	*130*	*936*	*-114*	*-916*	*36*
4.2 Credit derivatives	2,431	903	-2,326	-965	43
TOTAL	**6,887**	**40,676**	**-8,617**	**-39,041**	**289**

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	**20**	**17**	**-29**	**-19**	**-11**
1.1 Debt securities	5	16	-25	-16	-20
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	15	1	-4	-3	9
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**	**-36**
4. Derivatives	**8**	**6**	**-5**	**-6**	**3**
4.1 Financial derivatives	8	6	-5	-6	3
- on debt securities and interest rates	*1*	*5*	*-2*	*-6*	*-2*
- on equities and stock indexes	*7*	*1*	*-3*	*-*	*5*
- on currencies and gold	*X*	*X*	*X*	*X*	*-*
- other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**28**	**23**	**-34**	**-25**	**-44**

4.1 Of which: Other companies

The net result for 2010 pertaining to other companies was immaterial (-2 million euro).

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2010	*Of which:*			2009
		Banking group	*Insurance companies*	*Other companies*	
A. Income from					
A.1 fair value hedge derivatives	3,443	*3,443*	*-*	*-*	2,716
A.2 financial assets hedged (fair value)	1,247	*1,211*	*36*	*-*	804
A.3 financial liabilities hedged (fair value)	4,246	*4,246*	*-*	*-*	3,611
A.4 cash flow hedge: derivatives	1	*-*	*1*	*-*	10
A.5 currency assets and liabilities	37	*37*	*-*	*-*	91
Total income from hedging (A)	**8,974**	*8,937*	*37*	*-*	**7,232**
B. Expenses for					
B.1 fair value hedge derivatives	-4,369	*-4,324*	*-45*	*-*	-2,032
B.2 financial assets hedged (fair value)	-609	*-600*	*-8*	*-1*	-806
B.3 financial liabilities hedged (fair value)	-4,138	*-4,138*	*-*	*-*	-4,351
B.4 cash flow hedge: derivatives	-38	*-33*	*-5*	*-*	-10
B.5 currency assets and liabilities	-2	*-2*	*-*	*-*	-74
Total expense from hedging (B)	**-9,156**	*-9,097*	*-58*	*-1*	**-7,273**
C. Fair value adjustments in hedge accounting (A - B)	**-182**	*-160*	*-21*	*-1*	**-41**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2010			2010		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	-	-7	-7	-	-	-
2. Loans to customers	49	-53	-4	31	-47	-16
3. Financial assets available for sale	485	-250	235	566	-246	320
3.1 Debt securities	*405*	*-170*	*235*	*369*	*-131*	*238*
3.2 Equities	*60*	*-80*	*-20*	*191*	*-114*	*77*
3.3 Quotas of UCI	*20*	*-*	*20*	*6*	*-1*	*5*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**534**	**-310**	**224**	**597**	**-293**	**304**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	29	-24	5	25	-13	12
Total liabilities	**29**	**-24**	**5**	**25**	**-13**	**12**

6.1 Of which: Banking group

(millions of euro)

	2010			2009		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	-	-7	-7	-	-	-
2. Loans to customers	49	-53	-4	31	-47	-16
3. Financial assets available for sale	108	-48	60	279	-42	237
3.1 Debt securities	*90*	*-47*	*43*	*115*	*-39*	*76*
3.2 Equities	*5*	*-1*	*4*	*159*	*-3*	*156*
3.3 Quotas of UCI	*13*	*-*	*13*	*5*	*-*	*5*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**157**	**-108**	**49**	**310**	**-89**	**221**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	29	-24	5	25	-13	12
Total liabilities	**29**	**-24**	**5**	**25**	**-13**	**12**

6.1 Of which: Insurance companies

(millions of euro)

	2010			2009		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	377	-202	175	287	-204	83
3.1 Debt securities	*315*	*-123*	*192*	*254*	*-92*	*162*
3.2 Equities	*55*	*-79*	*-24*	*32*	*-111*	*-79*
3.3 Quotas of UCI	*7*	*-*	*7*	*1*	*-1*	*-*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**377**	**-202**	**175**	**287**	**-204**	**83**
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	**556**	**1,694**	**-514**	**-881**	**855**
1.1 Debt securities	58	457	-389	-68	58
1.2 Equities	98	588	-52	-296	338
1.3 Quotas of UCI	391	313	-63	-128	513
1.4 Loans	9	336	-10	-389	-54
2. Financial liabilities	**84**	**1**	**-722**	**-50**	**-687**
2.1 Debt securities	17	1	-21	-26	-29
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	67	-	-701	-24	-658
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**22**	**45**	**-7**	**-49**	**11**
TOTAL	**662**	**1,740**	**-1,243**	**-980**	**179**

The fair value change attributable to the Intesa Sanpaolo Group credit rating has entailed the recognition of charges of 1 million euro (2009: 129 million euro). The recognised residual capital gain at year end amounts to 16 million euro (2009: 17 million euro). The income statement effect of the credit rating change on the liabilities as at 31 December 2010 is a positive 3 million euro. This is due to the worsening of the Intesa Sanpaolo Group credit rating in 2009. Indeed, compared with the first few months of 2010, the two-year average credit spread on floating-rate issues increased from 40 to 132 basis points, that on fixed-rate issues, with the same maturity, rose from 40 to 125 basis points and CDS spreads grew from 41 to 84 basis points, again with the same maturity. The impact on the income statement was modest given the limited residual term of the issues.
Issue repayment in 2010 had a 4 million euro negative impact on the income statement.
For information on the methods used to determine credit spread, reference should be made to Part A of the Notes to the consolidated financial statements on fair value measurement.

7.1 Of which: Banking group

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**52**	**15**	**-28**	**-5**	**34**
1.1 Debt securities	25	15	-28	-4	8
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	27	-	-	-1	26
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**17**	**1**	**-19**	**-26**	**-27**
2.1 Debt securities	17	1	-19	-26	-27
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	**-**	**-**	**-**	**-**	**-**
TOTAL	**69**	**16**	**-47**	**-31**	**7**

7.1 Of which: Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**504**	**1,679**	**-486**	**-876**	**821**
1.1 Debt securities	33	442	-361	-64	50
1.2 Equities	98	588	-52	-296	338
1.3 Quotas of UCI	364	313	-63	-127	487
1.4 Loans	9	336	-10	-389	-54
2. Financial liabilities	**67**	**-**	**-703**	**-24**	**-660**
2.1 Debt securities	-	-	-2	-	-2
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	67	-	-701	-24	-658
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives (*)	**22**	**45**	**-7**	**-49**	**11**
TOTAL	**593**	**1,724**	**-1,196**	**-949**	**172**

(*) 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				2010	2009
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-10	-7	-	2	-	4	-11	-19
- Loans	-	*-10*	*-2*	-	-	-	*2*	*-10*	*-16*
- Debt securities	-	-	*-5*	-	*2*	-	*2*	*-1*	*-3*
B. Loans to customers	-114	-4,303	-455	282	1,436	1	346	-2,807	-3,429
- Loans	*-114*	*-4,299*	*-449*	*282*	*1,436*	*1*	*346*	*-2,797*	*-3,419*
- Debt securities	-	*-4*	*-6*	-	-	-	-	*-10*	*-10*
C. Total	**-114**	**-4,313**	**-462**	**282**	**1,438**	**1**	**350**	**-2,818**	**-3,448**

8.1 Of which: Banking group

(millions of euro)

	Impairment losses			Recoveries				2010	2009
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-10	-7	-	2	-	4	-11	-19
- Loans	-	*-10*	*-2*	-	-	-	*2*	*-10*	*-16*
- Debt securities	-	-	*-5*	-	*2*	-	*2*	*-1*	*-3*
B. Loans to customers	-114	-4,290	-455	282	1,435	1	346	-2,795	-3,422
- Loans	*-114*	*-4,290*	*-449*	*282*	*1,435*	*1*	*346*	*-2,789*	*-3,412*
- Debt securities	-	-	*-6*	-	-	-	-	*-6*	*-10*
C. Total	**-114**	**-4,300**	**-462**	**282**	**1,437**	**1**	**350**	**-2,806**	**-3,441**

8.1 Of which: Other companies

(millions of euro)

	Impairment losses			Recoveries				2010	2009
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	-	-13	-	-	1	-	-	-12	-7
- Loans	-	*-9*	-	-	*1*	-	-	*-8*	*-7*
- Debt securities	-	*-4*	-	-	-	-	-	*-4*	-
C. Total	**-**	**-13**	**-**	**-**	**1**	**-**	**-**	**-12**	**-7**

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	Impairment losses		Recoveries		2010	2009
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-4	-	-	-4	-7
B. Equities	-	-66	X	X	-66	-227
C. Quotas of UCI	-	-10	X	1	-9	-22
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-80**	**-**	**1**	**-79**	**-256**

8.2 Of which: Banking group

(millions of euro)

	Impairment losses		Recoveries		2010	2009
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-4	-	-	-4	-5
B. Equities	-	-42	X	X	-42	-149
C. Quotas of UCI	-	-4	X	-	-4	-14
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-50**	**-**	**-**	**-50**	**-168**

8.2 Of which: Insurance companies

(millions of euro)

	Impairment losses		Recoveries		2010	2009
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	-	-	-2
B. Equities	-	-24	X	X	-24	-78
C. Quotas of UCI	-	-6	X	1	-5	-8
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-30**	**-**	**1**	**-29**	**-88**

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 2010.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	Impairment losses			Recoveries				2010	2009
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-46	-28	-	27	-	46	-1	-6
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-26	-22	-	31	-	20	3	5
D. Other operations	-	-4	-1	-	4	-	-	-1	-6
E. Total	**-**	**-76**	**-51**	**-**	**62**	**-**	**66**	**1**	**-7**

8.4 Of which: Banking group

(millions of euro)

	Impairment losses			Recoveries				2010	2009
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-46	-28	-	27	-	46	-1	-6
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-26	-22	-	31	-	20	3	5
D. Other operations	-	-4	-1	-	4	-	-	-1	-6
E. Total	**-**	**-76**	**-51**	**-**	**62**	**-**	**66**	**1**	**-7**

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	2010	2009
A. Life business				
A.1 Gross accounted premiums (+)	8,326	-	8,326	6,439
A.2 Premiums ceded for reinsurance (-)	-3	X	-3	-6
A.3 Total	**8,323**	**-**	**8,323**	**6,433**
B. Non-life business				
B.1 Gross accounted premiums (+)	198	-	198	192
B.2 Premiums ceded for reinsurance (-)	-5	X	-5	-19
B.3 Changes in the gross amount of premium reserve (+/-)	-27	-	-27	-28
B.4 Changes in premium reserves reassured with third parties (-/+)	-6	-	-6	1
B.5 Total	**160**	**-**	**160**	**146**
C. Total net premiums	**8,483**	**-**	**8,483**	**6,579**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2010	2009
1. Net change in technical reserves	-4,028	-3,165
2. Claims accrued and paid during the year	-4,601	-3,779
3. Other income/expenses arising from insurance business	-421	-307
TOTAL	**-9,050**	**-7,251**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2010	2009
1. Life business		
A. Mathematical reserves	-3,875	-2,814
A.1 Gross annual amount	*-3,872*	*-2,815*
A.2 Amount reinsured with third parties (-)	*-3*	*1*
B. Other technical reserves	56	2
B.1 Gross annual amount	*56*	*2*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	-209	-353
C.1 Gross annual amount	*-209*	*-353*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**-4,028**	**-3,165**
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	2010	2009
Life business: charges associated to claims, net of reinsurance ceded	**-4,543**	**-3,737**
A. Amounts paid	-4,400	-3,743
A.1 Gross annual amount	*-4,401*	*-3,745*
A.2 Amount reinsured with third parties (-)	*1*	*2*
B. Change in funds for amounts to be disbursed	-143	6
B.1 Gross annual amount	*-143*	*6*
B.2 Amount reinsured with third parties (-)	*-*	*-*
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-58**	**-42**
C. Amounts paid	-42	-43
C.1 Gross annual amount	*-42*	*-43*
C.2 Amount reinsured with third parties (-)	*-*	*-*
D. Change in recoveries net of quotas borne by reinsurers	8	13
E. Change in damage fund	-24	-12
E.1 Gross annual amount	*-23*	*-9*
E.2 Amount reinsured with third parties (-)	*-1*	*-3*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2010	2009
Other income	**92**	**105**
Life business	88	102
Non-life business	4	3
Other expenses	**-513**	**-412**
Life business	-503	-404
Non-life business	-10	-8

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2009
1) Personnel employed	**5,607**	*5,559*	*47*	*1*	**5,737**
a) wages and salaries	3,967	*3,933*	*33*	*1*	3,958
b) social security charges	1,003	*995*	*8*	-	1,025
c) termination indemnities	100	*100*	-	-	131
d) supplementary benefits	5	*5*	-	-	5
e) provisions for termination indemnities	61	*60*	*1*	-	63
f) provisions for post employment benefits	55	*55*	-	-	85
- defined contribution plans	-	-	-	-	*13*
- defined benefit plans	*55*	*55*	-	-	*72*
g) payments to external pension funds	257	*255*	*2*	-	217
- defined contribution plans	*255*	*253*	*2*	-	*213*
- defined benefit plans	*2*	*2*	-	-	*4*
h) costs from share based payments	-	-	-	-	-
i) other benefits in favour of employees	159	*156*	*3*	-	253
2) Other non-retired personnel	**21**	*18*	*3*	-	**15**
3) Directors and statutory auditors	**37**	*34*	*3*	-	**36**
4) Early retirement costs	**-**	-	-	-	**-**
TOTAL	**5,665**	*5,611*	*53*	*1*	**5,788**

It should be specified that caption 3) "Directors and Statutory Auditors" includes remuneration 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

	2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2009
Personnel employed	**98,336**	*97,603*	*733*	-	**102,432**
a) managers	1,717	*1,681*	*36*	-	1,749
b) total officers	32,231	*31,997*	*234*	-	32,078
c) other employees	64,388	*63,925*	*463*	-	68,605
Other personnel	**460**	*400*	*60*	-	**502**
TOTAL	**98,796**	*98,003*	*793*	-	**102,934**

11.3 Post employment defined benefit plans: total expense

(millions of euro)

	2010			2009		
	Employee Termination Indemnities	**Internal plans**	**External plans**	**Employee Termination Indemnities**	**Internal plans**	**External plans**
Current service cost	-5	-3	-21	-2	-2	-20
Financial costs of determining the present value of the defined benefit obligations	-56	-15	-142	-61	-22	-143
Expected return from the fund's assets	-	5	130	-	10	142
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	-	-	-	-	-
Actuarial losses recognised	-	-1	-	-	-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 2010 amounted to 159 million euro, of which 22 million euro referred to charges relating to incentive-driven exit plans. The residual 137 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)

	2010	2009
Expenses for maintenance of information technology and electronic equipment	639	696
Telephonic, teletransmission and transmission expenses	150	154
Information technology expenses	**789**	**850**
Rentals and service charges - real estate	423	450
Security services	69	75
Cleaning of premises	58	60
Expenses for maintenance of real estate assets	90	64
Energy costs	123	133
Property costs	7	6
Management of real estate assets	**770**	**788**
Printing, stationery and consumables expenses	61	60
Transport and related services expenses (including counting of valuables)	107	107
Information expenses	132	134
Postal and telegraphic expenses	147	160
General structure costs	**447**	**461**
Expenses for consultancy fees	224	262
Legal and judiciary expenses	203	194
Insurance premiums - banks and customers	106	103
Professional and legal expenses	**533**	**559**
Advertising and promotional expenses	**171**	**171**
Services rendered by third parties	**156**	**153**
Indirect personnel costs	**129**	**132**
Other costs	**169**	**178**
Indirect taxes and duties	**638**	**648**
Recovery of taxes and duties	**-**	**-2**
Recovery of other expenses	**-120**	**-111**
TOTAL	**3,682**	**3,827**

* * * * *

Administrative expenses for 2010, included in tables 11.1 "Personnel expenses: breakdown" and 11.5 "Other administrative expenses: breakdown", include 75 million euro merger and restructuring-related charges, gross of the tax effect detailed below.

Merger and restructuring-related charges: breakdown

(millions of euro)

	2010	2009
Personnel expenses	**29**	**111**
- expenses for incentive-driven exit plans	29	111
Other administrative expenses	**46**	**150**
- information technology expenses	26	102
- management of real estate assets	-	-
- professional and legal expenses	8	30
- advertising and promotional expenses	-	1
- services rendered by third parties	2	2
- indirect personnel costs	-	2
- other costs	10	13
TOTAL	**75**	**261**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2010
Net provisions for legal disputes	-226	47	-179
Net provisions for other personnel charges	-2	3	1
Net provisions for risks and charges	-269	46	-223
TOTAL	**-497**	**96**	**-401**

The amounts listed above include a 20 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	-376	-23	-	-399
- used in operations	*-374*	*-14*	-	*-388*
- investment	*-2*	*-9*	-	*-11*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-377**	**-23**	**-**	**-400**

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	-738	-	-	-738
- internally generated	*-150*	-	-	*-150*
- other	*-588*	-	-	*-588*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-738**	**-**	**-**	**-738**

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	-618	-	-	-618
- internally generated	*-150*	-	-	*-150*
- other	*-468*	-	-	*-468*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-618**	**-**	**-**	**-618**

14.1 Of which: Insurance companies

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-120	-	-	-120
- internally generated	-	-	-	-
- other	*-120*	-	-	*-120*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-120**	**-**	**-**	**-120**

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies
Other expenses for consumer credit and leasing transactions	66	*66*	-	-
Settlements for legal disputes	9	*9*	-	-
Amortisation of leasehold improvements	55	*55*	-	-
Contributions to National Guarantee Fund	12	*12*	-	-
Other non-recurring expenses	115	*111*	*4*	-
Other	78	*72*	*5*	*1*
TOTAL 31.12.2009	**335**	*325*	*9*	*1*
TOTAL 31.12.2008	**324**	*314*	*9*	*1*

15.2 Other operating income: breakdown

(millions of euro)

	2010	Of which: Banking group	Of which: Insurance companies	Of which: Other companies
Recovery of expenses	527	*527*	-	-
Income IT companies	29	*29*	-	-
Insurance reimbursements	1	*1*	-	-
Reimbursements for services rendered to third parties	42	*42*	-	-
Income related to consumer credit and leasing	48	*47*	-	*1*
Rentals and recovery of expenses on real estate	17	*15*	-	*2*
Other non-recurring income	118	*114*	*4*	-
Other	81	*77*	*4*	-
TOTAL 31.12.2009	**863**	*852*	*8*	*3*
TOTAL 31.12.2008	**843**	*831*	*10*	*2*

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)

	2010	Of which:			2009
		Banking group	*Insurance companies*	*Other companies*	
1) Companies subject to joint control					
A. Revenues	8	*8*	-	-	448
1. Revaluations	*8*	*8*	-	-	*166*
2. Profits on disposal	-	-	-	-	*282*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-7	*-7*	-	-	-2
1. Write-downs	*-7*	*-7*	-	-	*-2*
2. Impairment losses	-	-	-	-	-
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**1**	*1*	-	-	**446**
2) Investments in associates					
A. Revenues	357	*357*	-	-	195
1. Revaluations	*346*	*346*	-	-	*111*
2. Profits on disposal	*11*	*11*	-	-	*84*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-65	*-65*	-	-	-80
1. Write-downs	*-60*	*-60*	-	-	*-73*
2. Impairment losses	*-1*	*-1*	-	-	*-6*
3. Losses on disposal	*-4*	*-4*	-	-	*-1*
4. Other	-	-	-	-	-
Net result	**292**	*292*	-	-	**115**
TOTAL	**293**	*293*	-	-	**561**

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.
As indicated in Part A - Accounting policies, for companies subject to significant influence, income of 255 million euro from the application of IFRS 3 to Intesa Vita following acquisition of control thereon is recorded under "Revaluations".

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 2010.
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

(millions of euro)

	2010	Of which:			2009
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	8	*8*	*-*	*-*	5
- profits on disposal	*8*	*8*	*-*	*-*	*6*
- losses on disposal	*-*	*-*	*-*	*-*	*-1*
B. Other assets [(a)]	-	-	-	-	-
- profits on disposal	*8*	*8*	*-*	*-*	1
- losses on disposal	*-8*	*-8*	*-*	*-*	*-1*
Net result	**8**	*8*	*-*	*-*	**5**

[(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)

	2010	Of which:			2009
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-1,467	*-1,474*	*8*	*-1*	-2,417
2. Changes in current taxes of previous years (+/-)	125	*125*	*-*	*-*	14
3. Reduction in current taxes of the year (+)	34	*34*	*-*	*-*	59
4. Changes in deferred tax assets (+/-)	173	*91*	*82*	*-*	182
5. Changes in deferred tax liabilities (+/-)	-20	*147*	*-167*	*-*	1,476
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-1,155**	*-1,077*	*-77*	*-1*	**-686**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2010
Income before tax from continuing operations	3,237
Income before tax from discontinued operations	724
Theoretical taxable income	**3,961**

	Taxes	%
Income taxes - theoretical tax charge	**1,244**	**31.4**
Increase in taxes	**454**	**11.5**
Greater effective tax rate and greater IRAP taxable base	275	7.0
Substitute tax realignment of intangible assets (*)	86	2.2
Net non-deductible provisions and others	93	2.3
Decrease in taxes	**-513**	**-13.0**
Effects of the participation exemption	-245	-6.2
Effects of international companies lower rates	-96	-2.4
Effect of the realignment of intangible assets (*)	-172	-4.4
Total changes in taxes	**-59**	**-1.5**
Total income tax expense for the period	**1,185**	**29.9**
of which: - total income tax expense from continuing operations	**1,155**	
- total income tax expense from discontinued operations	**30**	

(*) Positive economic effect of 86 million euro on "Taxes"

SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

21.1 Income (Loss) after tax from discontinued operations: breakdown

(millions of euro)

	2010	*Of which:*			2009
		Banking group	*Insurance companies*	*Other companies*	
1. Income	107	*107*	-	-	536
2. Charges	-49	*-49*	-	-	-351
3. Valuation differences on discontinued operations and related liabilities	-	-	-	-	-
4. Profits (Losses) on disposal	666	*666*	-	-	40
5. Taxes and duties	-30	*-30*	-	-	-56
Income (Loss)	**694**	*694*	-	-	**169**

21.2 Breakdown of taxes on discontinued operations

(millions of euro)

	2010	2009
1. Current taxes (-)	-30	-53
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (-/+)	-	-3
4. Income taxes (-1 +/-2 +/-3)	**-30**	**-56**

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

As at 31 December 2010, minority interests amount to 71 million euro. Among the more significant elements is the contribution of minority interests of the Privredna Banka Zagreb Group (32 million euro) and the Cassa di Risparmio di Firenze (23 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

	31.12.2010		31.12.2009	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	11,846,108,874	932,187,784	11,845,400,241	932,340,118
Income attributable to the various categories of shares *(millions of euro)*	2,498	207	2,578	227
Basic EPS (*euro*)	0.21	0.22	0.22	0.24
Diluted EPS (*euro*)	0.21	0.22	0.22	0.24

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**	**2,776**
	Other comprehensive income			
20.	Financial assets available for sale:	-789	257	-532
	a) fair value changes	-921	259	-662
	b) reversal to income statement	-6	3	-3
	- impairment losses	*22*	*-5*	*17*
	- gains/losses from disposals	*-28*	*8*	*-20*
	c) other changes	138	-5	133
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:	-56	20	-36
	a) fair value changes	-68	21	-47
	b) reversal to income statement	4	-1	3
	c) other changes	8	-	8
70.	Foreign exchange differences:	-81	-	-81
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-81	-	-81
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:	23	-	23
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	23	-	23
110.	**Total other comprehensive income**	**-903**	**277**	**-626**
120.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**2,150**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**69**
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**2,081**

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 a 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 Group's entire decision-making chain, down to the single operating units 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 is the Control Committee, and from the Group Risk Governance Committee and 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 is 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. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under normal and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.
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 of the 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 hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.
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 E of the Notes to the consolidated financial statements.
The information provided in this part of the document is based on internal management data and does not necessarily 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 operational 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 indexes of mainly Italian real estate prices, which is the main type of exposure associated with the Group's property portfolio.

The Basel 2 Project
As part of the Basel 2 Project, the goal of which is for the main Group companies to adopt advanced approaches, the Supervisory Authority granted authorisation to make the transition from the FIRB approach (in use since December 2008) to the AIRB approach for credit risks in the Corporate segment, effective the report as at 31 December 2010. The scope of application of the AIRB approach extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. Specific LGD models are currently being developed and will allow to move from FIRB to AIRB for the product companies (Leasint and Mediofactoring) in the near future. The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. For Banca IMI, which currently uses the standard approach, an application for authorisation of direct transition to the AIRB approach will be submitted in the first half of 2011. Recognition of the IRB approach for the Retail Mortgages segment was also obtained in June 2010.
An application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the second half of 2011.
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 a plan presented to the Supervisory Authority.
With regard to operational risk, the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approaches (internal model) to determine the associated capital requirement on an initial scope that included the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was authorised to extend the Advanced approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining Companies currently

using the Standardised approach will migrate progressively to the Advanced approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority.
In 2010 the Group presented its Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available.

As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

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 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, 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 rules), 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 the Chairman of the Supervisory Board, and is also functionally linked to the Control Committee.

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 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 is organised consistently with the divisional model of Intesa Sanpaolo and the Group.
During the year, the auditing was performed directly for the Parent Company Intesa Sanpaolo and for 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 by the continuing delicate economic scenario. Consequently, also in accordance with instructions issued by the Control Committee and the 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 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 over 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 verification of the control processes carried out by compliance risk management functions, in particular of provisions of law concerning embargoes, money laundering, investment services, conflicts of interest, transactions with related parties, transparency, and the administrative liability of entities pursuant to Legislative Decree 231/01;
- the valuation of adequacy and effectiveness of information technology system development and management processes, to ensure their reliability, security and functionality;
- the surveillance of the processes related to financial operations and the adequacy of related risks control systems;
- the verification of the operations performed by foreign branches, with interventions by internal auditors both local and from the Head Office;
- the timely performance of the activities requested by Supervisory Authorities in specific areas such as management compensation and incentive systems, the Parent Company's management and coordination powers over asset management companies and obligations under new authorisations.

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 new 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 receive detailed updates also on the state of solutions under way to mitigate weaknesses; 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. In this regard, a specifically authorised external firm is currently conducting the Quality Assessment Review required by those standards.

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:

- the organisational arrangements and functionality of internal controls of financial information, through a review plan aimed at constantly evaluating the adequacy and effective application of the administrative and accounting procedures instrumental to the preparation of financial statement documents and all other financial disclosures including, in particular, the Basel 2 Pillar 3 disclosure document. To the extent functional to documenting the quality of accounting data flows and information presented to the market, reviews are conducted not only of administrative and accounting processes, narrowly construed, but also of all phases of work that involve acquiring, recording, processing and presenting data managed in guidance and control processes (planning, management control and risk control), business processes (lending, financial intermediation, asset management and insurance, etc.), supporting processes (operations) and general governance rules for technological infrastructure and applications that ensure proper management of information processes and appropriate forms of monitoring of development activities regarding systems;
- the completeness and consistency of the information disclosed to the market by enhancing internal communications processes through the regular acquisition by the Manager responsible for preparing the Company's financial reports of a structured system of information flows; the functions of the Parent Company and subsidiaries regularly disclose significant events for the purposes of accounting and financial information, especially as regards the main risks and uncertainties to which they are exposed.

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. In detail, the schedule of reviews of the adequacy and effective application of administrative and accounting procedures privileged the examination of:

- the reliability of the processes of producing, processing and disseminating the financial statement information deemed most sensitive;
- the processes of presenting the main risks and uncertainties to which the Company and the Group are exposed, as well as the criteria for determining the assumptions on which valuation and estimation models are based.

The resulting work schedule was implemented in accordance with the criteria set out in the Regulation "Guidelines for administrative and financial governance", with the application of the methods taken as reference, which reflect international standards deriving from the COSO and COBIT Framework[1] to ensure homogeneous application of the verification process and valuation criteria throughout the Group.

The method involves an initial assessment of the overall internal control system at the Company-wide level aimed at determining whether there are adequate governance systems, standards of conduct inspired by ethics and integrity, effective organisational structures, a clear structure of delegated powers and responsibilities, adequate risk policies, effective codes of conduct and fraud prevention systems and personnel disciplinary systems. These areas are examined on the basis of evidence provided by Internal Auditing functions, followed by further inquiry by the Manager responsible for preparing the Company's financial reports into regulations, organisational arrangements and the operating mechanisms most relevant to management of the administrative and accounting system.

The method then calls for further development of assessments involving a review of the adequacy and effective application of administrative and accounting procedures and governance rules for technological infrastructure and applications. This examination is conducted in part according to specific methods, reinforced by auditing standards, overseen by the Manager responsible for preparing the Company's financial reports through dedicated structures (Administrative and Financial Governance Unit) and in part on the basis of evidence provided by the various Company control functions with a view towards maximising 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 outcomes of reviews conducted by control functions that support the work schedule set by the Manager responsible for preparing the Company's financial reports and elements for further inquiry with the management and any suggestions from the Independent Auditors in the performance of their duties;
- the information flows sent to the Manager responsible for preparing the Company's financial statements by the companies in accordance with the Administrative and financial governance regulations, with the aim of presenting facts that may have a material effect on earnings or financial position and the elements required for an analysis of operating performance and margins, as well as for an appreciation of the main risks and potential uncertainties to which they are exposed.

The Reports present an overview of the Company's situation, with a particular focus on factors of operational complexity that may be reflected in the quality of accounting information processes and the system of controls conceived to safeguard them. In

[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.

particular, a detailed description is provided of the schedule of reviews carried out during the year, with a summary of the results and an accurate description of any situations of deficiency detected and the measures taken to restore full functionality of administrative and accounting procedures.
Once the joint assessment process with the companies has been completed, culminating in each company sending its Report and certification of the delegated body's responsibility to the Manager responsible for preparing the Company's financial reports, the Administrative and Financial Governance Unit completes the Group Report, which contains:

– an account of the state of application of the administrative and financial governance model adopted in the Group and the main initiatives promoted by the Manager responsible for preparing the Company's financial reports in order to reinforce the administrative and accounting system. In particular, the Group Accounting Rules were issued during the year as a compendium of the systematic updating of accounting rules and an important project was developed with the aim of rationalising the information technology architecture that underlies the generation of the Group's accounting information;
– a description and in-depth analysis of any malfunctions detected, specifying the potential risk of the distortion of information contained in the transaction flows in question, the accounts that may be affected and the compensatory controls that had a mitigating effect, scaling assessments of deficiencies on the basis of the values and information presented 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 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, 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 not 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.
The information was presented to the Control Committee, Management Board and 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 2010 Annual Report, in accordance with the model established by the Consob Regulation (Annex 3c-*ter* to the Issuers Regulation).

The Compliance Department
The government 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.
The management of non-compliance risk is assigned to the Compliance Department, established in June 2008, in accordance with the supervisory regulations issued by the Bank of Italy on 10 July 2007 and the rules contained in the Joint Regulation issued by Consob and the Bank of Italy on 29 October 2007. The Compliance Department reports to the Chief Risk Officer.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board. 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 non-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 also 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 highly 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 Branches Abroad, 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 non-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 enhancing customer service and 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;
- the utmost attention has been devoted to monitoring projects aimed at reinforcing coverage of the Group's Italian and international companies in the area of money laundering and embargoes, including in light of the new provisions of law enacted at the national and international level. In detail, these involved coordinating organisational, IT and training activities aimed at implementing the Third EU Money Laundering 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 ensuring that customer-protection provisions are properly managed;
- initiatives continued within a specific project launched in 2009 with the aim of reinforcing the coverage of non-compliance risks associated with the insurance segment in connection with the Group's distribution networks;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new predicate 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.

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 included in the scope of compulsory monitoring in accordance with art. 36 of the Market Regulation for 2010 have been identified. These companies have been identified through a 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:
a) the public be provided access to the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements;
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 component of its 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 certify 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:
  - o the Manager responsible for preparing the Company's financial reports regularly received the required set of information flows and notice of any material facts bearing on accounting and financial information;
  - o the schedule of reviews aimed at determining that administrative and accounting procedures were adequate was conducted in accordance with the instructions provided by the Administrative and Financial Governance Unit.

The Report is drafted in the same way as 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.
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.
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.

* * * * *

As required by the instructions provided by the Bank of Italy, the information in this section - Risks of the Banking Group - is furnished solely with respect to the banking group, as defined in the Supervisory Instructions, except when it is expressly indicated to the contrary that all companies within the scope of consolidation are considered.
The tables that refer to the banking group alone 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. Amounts are stated gross of transactions with other companies within the scope of consolidation.
Where the contribution of transactions between the banking group and the other companies in the financial statement scope of consolidation is material, the details of such transactions are provided.

1.1. CREDIT RISK

The Group's strategies, powers and rules for the granting and management of loans are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of performance deterioration in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the Corporate Bodies is reflected in the current organisational structure, which identifies four important areas of central responsibility, in addition to the business units:
- the Chief Financial Officer;
- the Chief Lending Officer;
- the Chief Risk Officer;
- the Chief Operating Officer.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.

In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives and coordinates the process of assessing loans for reporting purposes. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.

The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and the recovery of doubtful loans and sets the Credit Granting and Management Rules.

The Chief Risk Officer is responsible for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP) and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers and constantly monitors risk and credit quality performance.

The Chief Operating Officer provides specialised support in defining credit processes while ensuring cost and performance synergies in the service offered.

The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/banking group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.

In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- the system of Credit Strategies, Powers and Granting and Monitoring Rules governing the ways in which credit risk to customers is assumed;
- "Credit-Granting Limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the "Compliance Opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

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

The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
A number of rating models are used for the Corporate segment:

- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:

- a quantitative module that processes financial and behavioural data;
- a qualitative module that requires the manager to fill in a questionnaire;
- an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

The assignment of the rating is generally decentralised to the branches, except for certain types of counterparty (mainly large groups and complex conglomerates), which are centralised in specialist units of the Parent Company Head Office Department and require expert assessments.
The models applied to the Retail portfolio are as follows:

- for the Small Business segment a Group counterparty rating model has been adopted, based on similar criteria to the Corporate model, namely highly decentralised and where the quantitative-objective elements are supplemented by qualitative-subjective elements;
- for the Mortgage segment, the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
- a class of models is being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.

The situation is completed by the sovereign model for sovereign counterparties and the country risk with which a system aimed at limiting the assumption of such risk is associated; models for local entities, which are currently being refined; the bank model, which is being implemented and is divided into emerging and developed countries; experiential models for the non-bank financial institutions class.

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

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

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

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

The Credit Control Panel is the application used by the Group as the primary source employed to control and monitor the loan portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
The Credit Monitoring Portal was launched in 2010. The Portal, into which data is input through the Credit Control Panel, is used by the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level to access "informational" dashboards that provide an organic, structured report prepared with the aim of:

- providing a structured, navigable overview of the phenomenon under review;
- reducing the time required to search for and process information;
- facilitating the identification of critical areas and defining priority action;
- supporting the exchange of information between units on a consistent basis.

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

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
Counterparty risk is bilateral in nature inasmuch as the mark-to-market of the transaction may be either positive or negative depending on the performance of the market factors that underlie the financial instrument.
The Group employs counterparty risk mitigation techniques that are recognised for regulatory purposes. These techniques are discussed in the paragraph concerning techniques for the mitigation of credit risk.
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group applies the mark-to-market approach (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
This approach estimates the loan equivalent as the sum of the positive mark-to-market and potential future exposure, where the latter is calculated by applying certain percent rates to the notional amounts of the transactions.

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

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

In 2011 a project aimed at extending the use of the measurement to the Parent Company will be launched. The application for approval of the use of the model for regulatory purposes will be sent to the Supervisory Authority at a later date, upon the completion of the calculation project and the incorporation of the measurement into the Parent Company's credit monitoring systems and internal validation by the responsible company functions (Internal Validation; Internal Auditing Department).

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.
Concentration risk is defined as the risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. Such risk is monitored constantly and managed through specific measures:
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks", to loans subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Techniques for the mitigation of credit risk
Mitigation techniques are adopted in order to reduce the loss given default. They include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the loan granting and monitoring process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.

The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
The value of the property is appraised periodically, also with the aid of statistical methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
The monitoring process also involves identifying properties that, where the property value decreases significantly and/or the exposure is significant in amount, require an appraisal by an independent expert based on a value not exceeding the market value.
For all other guarantees, processes and procedures are in place to allow a frequent review of compliance with Basel 2 regulations, performance in terms of the amounts and/or absolute numbers of adequate guarantees is reviewed and monitored on a monthly basis in order to be able to benefit from their recognition when computing regulatory capital.
To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement).

Non-performing financial assets

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

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

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

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

The data shown in the following tables (A.1.1 and A.1.2) refer to all companies within the scope of consolidation for accounting purposes. In the tables, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

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

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

(millions of euro)

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

In accordance with regulations, "Individual adjustments" include the impairment losses recognised to account for counterparty risk ("credit risk adjustment") on non-performing derivative contracts in the amount of 31 million euro (46 million euro as at 31 December 2009).

Within performing exposures, as at 31 December 2010, exposures renegotiated under collective agreements amounted to 6,215 million euro in gross terms and 6,164 million euro in net terms. Other performing exposures thus came to 457,032 million euro in gross terms and 554,037 million euro in net terms.
Other performing exposures include 581 million euro in assets past due by up to three months, 89 million euro in assets past due by more than three months but less than six months and 32 million euro in assets past due by more than six months. The share of the debt associated with those assets not yet past due came to 3,938 million euro, 1,127 million euro and 13,510 million euro, respectively.

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	104	-78	X	26
b) Substandard loans	58	-9	X	49
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	49,217	X	-28	49,189
TOTAL A	**49,379**	**-87**	**-28**	**49,264**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	4	-	X	4
b) Other	53,758	X	-19	53,739
TOTAL B	**53,762**	**-**	**-19**	**53,743**
TOTAL (A + B)	**103,141**	**-87**	**-47**	**103,007**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**104**	**4**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**8**	**54**	**-**	**4**
B.1 inflows from performing exposures	2	50	-	4
B.2 transfers from other non-performing exposure categories	2	-	-	-
B.3 other increases	4	4	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-8**	**-**	**-**	**-8**
C.1 outflows to performing exposures	-	-	-	-3
C.2 write-offs	-3	-	-	-
C.3 repayments	-3	-	-	-3
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-2
C.6 other decreases	-2	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**104**	**58**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**77**	**2**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**5**	**7**	**-**	**-**
B.1 impairment losses	4	7	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	1	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-4**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.3 write-offs	-3	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-1	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**78**	**9**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	20,569	-13,221	X	7,348
b) Substandard loans	11,378	-2,372	X	9,006
c) Restructured exposures	3,631	-297	X	3,334
d) Past due exposures	1,667	-153	X	1,514
e) Other assets	406,786	X	-2,497	404,289
TOTAL A	**444,031**	**-16,043**	**-2,497**	**425,491**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,386	-188	X	1,198
b) Other	130,209	X	-273	129,936
TOTAL B	**131,595**	**-188**	**-273**	**131,134**
TOTAL (A + B)	**575,626**	**-16,231**	**-2,770**	**556,625**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).
Non-performing loans include 304 million euro in exposures (including 54 million euro in doubtful loans, 11 million euro in substandard loans and 239 million euro in restructured loans) associated with pool transactions (IBLOR structures) undertaken by the Group in the capacity of fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 1,573 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 2,568 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**16,457**	**12,973**	**2,402**	**2,589**
- of which exposures sold not derecognised	*21*	*33*	*1*	*12*
B. Increases	**7,195**	**11,145**	**2,030**	**5,859**
B.1 inflows from performing exposures	806	6,116	314	4,958
B.2 transfers from other non-performing exposure categories	5,376	3,288	1,554	63
B.3 other increases	1,013	1,741	162	838
B.4 business combinations	-	-	-	-
C. Decreases	**-3,083**	**-12,740**	**-801**	**-6,781**
C.1 outflows to performing exposures	-190	-2,899	-330	-2,782
C.2 write-offs	-893	-87	-17	-3
C.3 repayments	-1,249	-2,559	-220	-906
C.4 credit disposals	-98	-113	-	-
C.5 transfers to other non-performing exposure categories	-314	-6,729	-229	-3,009
C.6 other decreases	-339	-353	-5	-81
C.7 business combinations	-	-	-	-
D. Final gross exposure	**20,569**	**11,378**	**3,631**	**1,667**
- of which exposures sold not derecognised	*11*	*5*	-	-

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

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

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

Conversion of loans into equity instruments

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

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

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

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor’s Ratings Services, Moody’s Investors Service and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**50,082**	**46,610**	**14,748**	**12,571**	**4,200**	**23,001**	**323,543**	**474,755**
B. Derivatives	**2,424**	**2,672**	**135**	**24**	**18**	**75**	**3,797**	**9,145**
B.1. Financial derivatives	2,405	2,520	135	24	18	75	3,519	8,696
B.2. Credit derivatives	19	152	-	-	-	-	278	449
C. Guarantees given	**4,953**	**4,992**	**2,408**	**144**	**76**	**510**	**38,191**	**51,274**
D. Commitments to lend funds	**35,561**	**29,886**	**7,882**	**1,172**	**559**	**759**	**48,639**	**124,458**
Total	**93,020**	**84,160**	**25,173**	**13,911**	**4,853**	**24,345**	**414,170**	**659,632**

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

Mapping of long-term ratings issued by external rating agencies

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

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

Short-term ratings for exposures to supervised issuers and enterprises

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

Ratings for exposures to UCI

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

Long-term ratings for exposures to securitisations

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

Short-term ratings for exposures to securitisation

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

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

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

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

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

Unrated exposures account for 20% of all exposures and refer to customer segments for which a rating model is not yet available (loans to private parties), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

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

When unrated counterparties and non-performing loans are excluded, rating classes at investment grade account for the majority, 67% of the total, whilst 23% fall within the BB+/BB- range and 10% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**55,100**	**58,103**	**103,648**	**98,183**	**35,773**	**5,358**	**21,277**	**97,313**	**474,755**
B. Derivatives	**2,597**	**2,027**	**1,298**	**678**	**301**	**138**	**75**	**2,031**	**9,145**
B.1. Financial derivatives	2,576	1,880	1,291	678	301	138	75	1,757	8,696
B.2. Credit derivatives	21	147	7	-	-	-	-	274	449
C. Guarantees given	**8,177**	**10,299**	**15,193**	**8,429**	**2,479**	**361**	**479**	**5,857**	**51,274**
D. Commitments to lend funds	**33,244**	**28,086**	**23,971**	**8,933**	**3,575**	**312**	**648**	**25,689**	**124,458**
Total	**99,118**	**98,515**	**144,110**	**116,223**	**42,128**	**6,169**	**22,479**	**130,890**	**659,632**

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

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**12,200**	**-**	**880**	**45**	**2,777**	**-**	**5**	**-**	**15,862**
COLLATERAL[(1)]									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	11,712	-	366	-	-	-	-	-	12,078
Other	30	-	-	-	2,591	-	-	-	2,621
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*18*	-	*23*	-	*145*	-	-	-	*186*
Other public entities	*7*	-	-	-	-	-	-	-	*7*
Banks	*375*	-	*227*	-	*41*	-	-	-	*643*
Other counterparties	*79*	-	*90*	-	-	-	*1*	-	*170*
TOTAL	**12,221**	**-**	**706**	**-**	**2,777**	**-**	**1**	**-**	**15,705**

[(1)] Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

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

(1) Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

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

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

(millions of euro)

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

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

(millions of euro)

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

B.4. Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	23	-73	-	-	3	-5	-	-
A.2. Substandard loans	47	-7	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	17,245	-4	22,812	-7	2,843	-4	4,281	-12	2,008	-1
Total A	**17,292**	**-11**	**22,836**	**-81**	**2,844**	**-5**	**4,284**	**-17**	**2,008**	**-1**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	4	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	4,715	-1	40,243	-6	6,257	-1	2,074	-10	450	-1
Total B	**4,715**	**-1**	**40,243**	**-6**	**6,257**	**-1**	**2,078**	**-10**	**450**	**-1**
TOTAL (A+B) 31.12.2010	**22,007**	**-12**	**63,079**	**-87**	**9,101**	**-6**	**6,362**	**-27**	**2,458**	**-2**
TOTAL 31.12.2009	**40,668**	**-4**	**72,814**	**-107**	**8,058**	**-14**	**4,823**	**-24**	**1,865**	**-2**

B.5. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	-	-	-	-	-	-	-	-
A.2. Substandard loans	47	-7	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	7,248	-3	3,549	-	6,339	-1	109	-
Total A	**7,295**	**-10**	**3,549**	**-**	**6,339**	**-1**	**109**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	1,162	-	633	-1	2,854	-	66	-
Total B	**1,162**	**-**	**633**	**-1**	**2,854**	**-**	**66**	**-**
TOTAL (A+B) 31.12.2010	**8,457**	**-10**	**4,182**	**-1**	**9,193**	**-1**	**175**	**-**
TOTALE 31.12.2009	**12,766**	**-2**	**2,702**	**-**	**25,021**	**-2**	**179**	**-**

B.6. Large risks

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

On the basis of the updates to Bank of Italy Circular 263 of 27 December 2006 and the subsequent regulatory clarification provided by the Supervisory Authority effective for financial statements ending 31 December 2010, the number of large risks presented in the table was determined at 31 December 2010 by reference to unweighted "exposures" in excess of 10% of regulatory capital (determined without considering the differences between expected losses and overall value adjustments), where "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from regulatory capital) with a customer or a group of related customers, without applying weighting factors.
Accordingly, the new presentation criteria set out above result in the inclusion in the financial statement table for large risks of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of capital valid for the purposes of large risks.
As at 31 December 2009, in accordance with the regulations in force at the time, the number of large risks was determined by considering only those positions with an exposure that - after applying the weighting factors specified by the regulations - were in excess of 10% of regulatory capital valid for the purposes of large risks.

C. SECURITISATIONS AND ASSET SALE

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

C.1. Securitisations

Qualitative information

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

Quantitative information

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

On-balance sheet

(millions of euro)

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

Part of the exposures shown in the table above has been included within the structured credit products: 3,341 million euro of gross exposures and 3,335 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets (*)	**73**	**42**	**-**	**-**	**-**	**-**	**2,329**	**2,329**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	73	42	-	-	-	-	2,329	2,329	-	-	-	-
TOTAL	**73**	**42**	**-**	**-**	**-**	**-**	**2,329**	**2,329**	**-**	**-**	**-**	**-**

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

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

On-balance sheet

(millions of euro)

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

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

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

Off- balance sheet

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

C.1.3. Banking group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

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

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

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

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

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

The table below shows the breakdown of the residual portfolio divided into 386 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages	501	-4	155	-1	16	-1
Commercial mortgages	99	-	98	-	-	-
Other ABSs (CLO-CMO-CFO) (*)	105	-1	71	17	-	-
Financing for SMEs	145	1	23	-1	-	-
Loans deriving from leasing contracts	106	-	11	-	-	-
Car loans	106	-	8	-	1	-
CDOs	104	-	8	-4	-	-
WL Collateral CMOs	51	-	-	-	-	-
Loans to foreign public bodies	44	-	-	-	-	-
Consumer credit	36	-	-	-	-	-
Loans to energy companies	29	-	-	-	-	-
Public property	14	-	14	-	-	-
Project finance loans	-	-	-	-	22	-
Loans to foreign local authorities	15	-	-	-	-	-
Loans to research	13	-	-	-	-	-
Personal loans	8	-	2	-	-	-
Credit cards	3	-	-	-	-	-
Other assets	37	-1	-	-	-	-
TOTALE	**1,416**	**-5**	**390**	**11**	**39**	**-1**

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

Off- balance sheet

	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	*-*	*-*	*-*	*-*	*-*	*-*	*2,165*	*-*	*-*	*-*	*-*	*-*
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	*42*	*-31*	*-*	*-*	*-*	*-*	*164*	*-*	*-*	*-*	*-*	*-*
Total	**42**	**-31**	**-**	**-**	**-**	**-**	**2,329**	**-**	**-**	**-**	**-**	**-**

C.1.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

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

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

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

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

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**919**	**-**
A.1 Fully derecognised	224	*X*
1. Doubtful loans	*47*	*X*
2. Substandard loans	*1*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*2*	*X*
5. Other assets	*174*	*X*
A.2 Partly derecognised	-	*X*
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	695	-
1. Doubtful loans	*11*	*-*
2. Substandard loans	*12*	*-*
3. Restructured exposures	*-*	*-*
4. Past due exposures	*-*	*-*
5. Other assets	*672*	*-*
B. Third party underlying assets	**786**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	1	-
B.5. Other assets	785	-

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

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

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

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

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

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

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec
Securitisation of performing mortgages

(millions of euro)

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

Intesa Sec 2

Securitisation of performing residential mortgages

(millions of euro)

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

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,591**
A.1 Loans		1,586	
A.2 Securities		-	
A.3 Other assets		5	
- accrued income on IRS	*4*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**129**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		129	
C. Securities issued			**1,642**
C.1 Class A1		-	
C.2 Class A2		549	
C.3 Class A3		947	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**24**
E. Other liabilities			**55**
E.1 Due to Parent Company		1	
E.2 "Additional return" allowance		44	
E.3 Accrued expenses – interest on securities issued		3	
E.4 Accrued expenses on IRS		7	
F. Interest expense on securities issued			**17**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Securities placement commissions		-	
H. Other expenses			**72**
H.1 Interest expense		46	
H.2 Forecasted losses on loans		6	
H.3 Additional return		20	
I. Interest income on securitised assets			**59**
L. Other revenues			**26**
L.1 Interest income		25	
L.2 Revenues from penalties for advanced extinguishment and other		1	

Intesa Sec Npl

Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets			**48**
A.1 Loans		42	
- loans outstanding	*-*		
- past due loans	*41*		
- loans for overdue interest	*1*		
A.2 Securities		-	
A.3 Other assets		6	
- cap option premium paid	*5*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**10**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		10	
C. Securities issued			**155**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		-	
C.4 Class D		114	
C.5 Class E		41	
D. Financing received			**3**
E. Other liabilities			**11**
E.1 Amounts due for services rendered		2	
E.2 Accrued expenses – interest on securities issued		6	
E.3 Other accrued expenses		2	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Other services		-	
H. Other expenses			**18**
H.1 Interest expense		6	
H.2 Other expenses		3	
H.3 Losses on overdue interest		5	
H.4 Losses on loans		1	
H.5 Forecasted losses on loans		3	
I. Interest income on securitised assets			**6**
L. Other revenues			**9**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		9	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

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

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

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

CR Firenze Mutui
Securitisation of performing residential mortgages

(millions of euro)

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

C.2. Sales

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

(millions of euro)

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

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

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

(millions of euro)

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

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

C.3. Banking group - Covered bond transactions

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

The Intesa Sanpaolo Group has carried out two Covered Bond issue programmes.
In the first programme, amounting to a maximum of 10 billion euro, the guarantor of the Covered Bonds is the ISP CB Pubblico vehicle, to which a portfolio of performing loans and securities to the public sector, originated by Banca Infrastrutture Innovazione e Sviluppo (BIIS), was transferred. The following sales have been carried out as part of this programme:

– the first, concluded in July 2009, was realised by selling a portfolio of performing public sector loans to the vehicle, for a nominal value of around 3.6 billion euro, and issuing a subordinated loan to the vehicle of around 3.8 billion euro, for the payment of the sale consideration;
– the second tranche, concluded in April 2010, was realised by selling an additional portfolio of public sector assets (loans and securities) to said vehicle, for a nominal value of around 2.3 billion euro, and issuing a subordinated loan to the vehicle of around 2.4 billion euro, for the payment of the sale consideration.

Simultaneously, Intesa Sanpaolo:

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

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

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

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

(millions of euro)

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

(1) The item includes the subordinated loan granted by the originator for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2010, for which no issues have yet been made.

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

As at 31 December 2010, the expected operating loss on core banks (Basel 2 validation area) amounted to 0.58% of disbursed loans, a 0.02 percentage point increase on the figure as at the end of 2009.
The increase in this risk indicator reflects the changes in the ratings models for the Corporate and Retail Mortgage segments as a result of the order validating advanced approaches for the respective portfolios and extending the core area to Casse del Centro and to VUB Banka.
The economic capital corresponded to 4.1% of disbursed loans, a reduction of 0.1% compared to the figure in 2009. This figure runs counter to the expected loss as a result of the greater diversification of the portfolio, partly due to the aforementioned extension of the area.
The internal rating and LGD models are subject to internal validation process and a level three control by the Internal Auditing Department.
The control functions produce an annual report for the Bank of Italy on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex ante estimates and the effective ex post values. The last report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo in July 2010, confirmed the requirements of compliance.

1.2. BANKING GROUP - MARKET RISKS

The Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Group Risk Governance Committee and Group Financial Risks Committee.
The Group Risk Governance Committee is in charge, among other things, of proposing to the Statutory bodies Group risk management strategies and policies, of ensuring compliance with the guidelines and indications of Supervisory authority concerning risk governance and of assessing 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 appropriate 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.

The valuation of financial instruments, also defined as the "fair value policy", is summarised in Part A of the Notes to the consolidated financial statements (Fair value measurement section). Part A of the Notes also presents quantitative disclosure on allocation of the various accounting portfolios in accordance with fair value levels (section A.3.2. Fair value hierarchy).
The various stages of that process together with additional information on the valuation models used to measure the financial instruments are described below.

Identification, certification and treatment of market data and the sources for measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters. To this end the Market Data Reference Guide – a document prepared and updated by the Risk Management Department on the basis of the Group's Internal Regulations approved by the Management bodies of the Parent Company and Group Companies – has established the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments held for any purpose in the proprietary portfolios of the Bank and its subsidiaries. These same sources are used in revaluations carried out for third parties under Service Level Agreements, reached in advance. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources. For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price. The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Risk Management Department, in terms of specific controls (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.

Model Risk Management

In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments, but provide differing valuations for exotic instruments. The risk model is monitored through a diverse series of analyses and checks carried out at various stages, aimed at certifying the various pricing methods used by the Bank ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Model Validation

In general, all the pricing models used by the Bank must undergo an internal certification process by the various structures involved. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation)[1]. The internal certification process is activated when a new financial instrument that requires an adjustment to the existing pricing methods or the development of new methods starts to be used or when the existing methods need to be adjusted for the valuation of existing contracts. The validation of the methods involves a series of operational steps, which are adopted where necessary, including the:

- contextualisation of the problem within the current market practice and the relevant available literature;
- analysis of the financial aspects and the types of significant payoff;

[1] For example, Intesa Sanpaolo used a similar validation for CDO exposures.

- formalisation and independent derivation of the mathematical aspects;
- analysis of the numerical/implementation aspects and tests through the replication, where necessary, of the pricing libraries of the Front Office systems through an independent prototype;
- analysis of the relevant market data, verifying the presence, liquidity and frequency of update of the contributions;
- analysis of the calibration methods, in other words the model's ability to optimise its internal parameters (or meta-data) to best replicate the information provided by the quoted instruments;
- stress tests of the parameters of the model that are not observable in the market and analysis of the impact on the valuation of the complex instruments;
- market tests comparing, where possible, the prices obtained from the model with the quotes available from the counterparties.

If no problems are identified by the above analysis, the Risk Management Department validates the method, which becomes part of the Group Fair Value Policy and can be used for the official valuations. If the analysis identifies a significant "Model Risk", which, however, is within the limits of the approach's ability to correctly manage the related contracts, the Risk Management Department selects a supplementary approach to determine the appropriate adjustments to be made to the mark to market, and validates the supplemented approach.

Model Risk Monitoring
The performance of the models in operation is monitored continuously to promptly identify any deviations from the market and implement the necessary assessments and measures. This monitoring is performed in various ways, including:

- repricing of quoted elementary instruments: verifying the model's ability to replicate the market prices of all the quoted instruments considered to be relevant and sufficiently liquid. For interest rate derivatives, an automatic repricing system for plain vanilla financial instruments is used in the Bank's Front Office systems, which enables the systematic verification of any deviations between the model and the market. Where significant deviations are found, especially outside the market bid-ask quotes, the impact on the respective trading portfolios is analysed and any adjustments to be made to the corresponding valuations are quantified;
- comparison with benchmarks: the monitoring method described above is further enhanced by the extensive use of data supplied by qualified external providers (e.g. Markit), which provide consensus valuations from leading market counterparties for interest rate instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equities (options on indexes and on single stocks) and credit (CDS). Such information is far richer than that normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. If there are significant differences between the model and the benchmark their impact is analysed and, as in the case above, any mark-to-market adjustments are quantified. The possibility of extending the comparison with benchmarks to other instruments or underlying assets is constantly monitored;
- comparison with market prices: verification against prices provided by counterparties via Collateral Management, indicative listed prices provided by brokers, intrinsic parameters identified from these indicative listed prices, checks of the most recent revaluation price in relation to the price of the financial instrument deriving from unwinding, sales, and new similar or comparable transactions.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation

If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the Fair Value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments relating to the abovementioned factors, the Mark-to-Market Adjustment Policy also provides for other types of adjustments relating to other factors capable of influencing the valuation. These factors essentially involve:
- high and/or complex risk profile;
- position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

For illiquid products an adjustment is made to the fair value. This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by an active market (level 1). Specifically, highly liquid quoted securities are valued directly at mid price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions. Bonds that are not quoted are valued according to credit spreads that differ based on the position of the security (long or short).

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.
Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, illustrated above) and for which the respective adjustments have been calculated, are represented in this market context, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).

The management of the Mark-to-Market Adjustment process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamics of the factors indicated above and is disciplined by the Risk Management Department. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Risk Management Department. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Risk Management Department.

Information on valuation models which are concretely used for measurement of financial instruments

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products), on the valuation models used to measure the various instruments referred to in Part A Accounting policies – Fair value measurement.

I. Pricing model for non-contributed securities

Pricing of non-contributed securities (i.e. securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test (in application of the comparable approach): given a non-contributed security, the level of the credit spread is estimated starting from contributed and liquid financial instruments with similar characteristics. The hierarchy of sources which are used to estimate the level of the credit spread are the following:

- contributed and liquid securities (benchmark) of the same issuer;
- Credit Default Swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case the different seniority of the security to be priced is considered relatively to the issuer's debt structure.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar quoted securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlyings. This component is calculated on the basis of the type of option and its maturity.

II. Models for pricing interest rate, foreign exchange, equity, inflation and commodity derivatives

Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above. In terms of fair value hierarchy, prices determined in this way fall in the Comparable Approach category.

The table below illustrates the main models used to price OTC derivatives on the basis of the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White at 1 and 2 factors, Mixture of Hull-White at 1 and 2 factors, Bivariate longnormal, Rendistato	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV)	Interest rate curves, spot and forward FX, FX volatility
Equity	Net present Value Equity, Black-Scholes Generalised, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, interest rate curves, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations

Moreover, the determination of fair value of OTC derivatives must consider, in addition to market factors and the nature of the contract (maturity, type of contract, etc.), also the credit quality of the counterparty. In particular:
- mark-to-market, namely the pricing using risk free (particularly interest rate curve and volatility) market data;
- fair value, which considers counterparty credit risk and future exposures of the contract.

The difference between fair value and mark-to-market – so-called Credit Risk Adjustment (CRA) – is the discounted value of the expected future loss, considering that the future exposure has a volatility related to that of the markets. The application of this methodology occurs as follows:
- in the case of positive net present exposure, CRA is calculated starting from the latter, from credit spreads and in function of the average residual life of the contract;
- in the case of net present exposure close to zero or negative, CRA is determined assuming that the future exposure may be estimated through Basel 2 add-on factors.

III. Model for pricing structured credit products

Regarding ABS, if significant prices are not available from consensus platforms/Info providers (level 1, effective market quotes), valuation techniques are used that take into account parameters that can be gathered from an active market (level 2, comparable approach).
In this case, the cash flows are obtained from info providers or specialised platforms, whereas the spreads are gathered from new issues, from consensus platforms and from market research produced by major investment banks, verifying the consistency and coherence of these valuations with the prices gathered from the market (level 1).
Lastly, the valuation based on quantitative models and parameters is accompanied by a qualitative analysis aimed at highlighting structural aspects that are (or not fully) encompassed by the analyses described above, relating the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

With reference to complex credit derivatives (CDO), in view of the market dislocations between the financial and credit markets, Intesa Sanpaolo has paid particular attention to pricing methodologies, and prepared a new Fair Value Policy that has been applied since the 2007 financial statements. No material changes were made to the Policy, although the ongoing improvement of input treatment continued, in order to ensure consistent adherence to the market figures. At the same time the Waterfall assessment was refined. The Fair Value Policy also sets out specific procedures on the inputs necessary for valuations.
Regarding CDO pricing, Intesa Sanpaolo uses a quantitative model which estimates joint 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.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.

The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody's - KMV.

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; in particular:
- stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for underlying REITS);
- stress of asset value correlation: inter and intra correlations have been increased by 15% or 25% depending on the type of product;
- stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 10%;
- stress of expected residual lives: the latter have been increased by 1 year.

Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

The valuation framework used for the CDO Cash Flows also manages the Waterfall effects. The latter entails the correct definition of the payment priorities according to the seniority of the various tranches and the contractual clauses. In general these provide for the diversion of the capital and interest payments from the lower tranches of the Capital Structure to the higher tranches, upon the occurrence of Trigger Events, such as the failure of the Overcollateralisation and Interest Coverage tests.

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Finally, for this class of products, Top Management has the possibility to decide a further adjustment which must be based on prices observed from counterparties and on expert opinions.

IV. The pricing model for hedge funds

The main parameter used for the valuation of hedge funds is the NAV (Net Asset Value), which however may be prudentially adjusted by the Risk Management Department, during the valuation of inventories for accounting purposes, on the basis of an individual valuation process, aimed at verifying specific idiosyncratic risks, mainly identified as follows:

- counterparty risk
- illiquidity risk.

These elements have been measured starting from 2008, the year when the deepening crisis had significant impacts on banks, and the fair value policy was reviewed to fully incorporate the changes in the operating environment and the risks associated with hedge funds in particular following the Lehman default. This policy was introduced during 2009 after a backtesting stage which endorsed the choices made. During 2009-2010 several qualitative parameters were reviewed as part of the regular revision of the policy.

Specifically, the first risk driver – counterparty risk - relates to the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, which is a potential source of risk in the case of default. The resulting prudential adjustment to the operational NAV differs according to whether this activity is concentrated in a single name or is diversified across several service providers.

With regard to the illiquidity drivers, these relate to the risk intrinsic to the pricing of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the pricing policies used by the fund.

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

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

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 4% 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 risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI; (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI; (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo; (iv) position risk on dividend derivatives.
From the second quarter 2010, the validated risk profiles were extended to commodity risk for Banca IMI, the only legal entity of the Group authorised to hold open positions in commodities.

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 risk.

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 periodically 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 including 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 2010 market risks originated by Intesa Sanpaolo and Banca IMI decreased compared to the previous periods. The average daily VaR for the fourth quarter of 2010 was 36.8 million euro, down by 15% on the third quarter.
With regard to the whole of 2010, the average Group risk profile (38 million euro) decreased compared to the average values in 2009 (40.6 million euro).

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2010 (a)

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	22.3	21.3	24.0	27.6	27.0	19.5
Banca IMI	14.5	11.5	22.4	15.8	13.9	11.7
Total	**36.8**	**33.3**	**44.3**	**43.4**	**40.9**	**31.3**

(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.

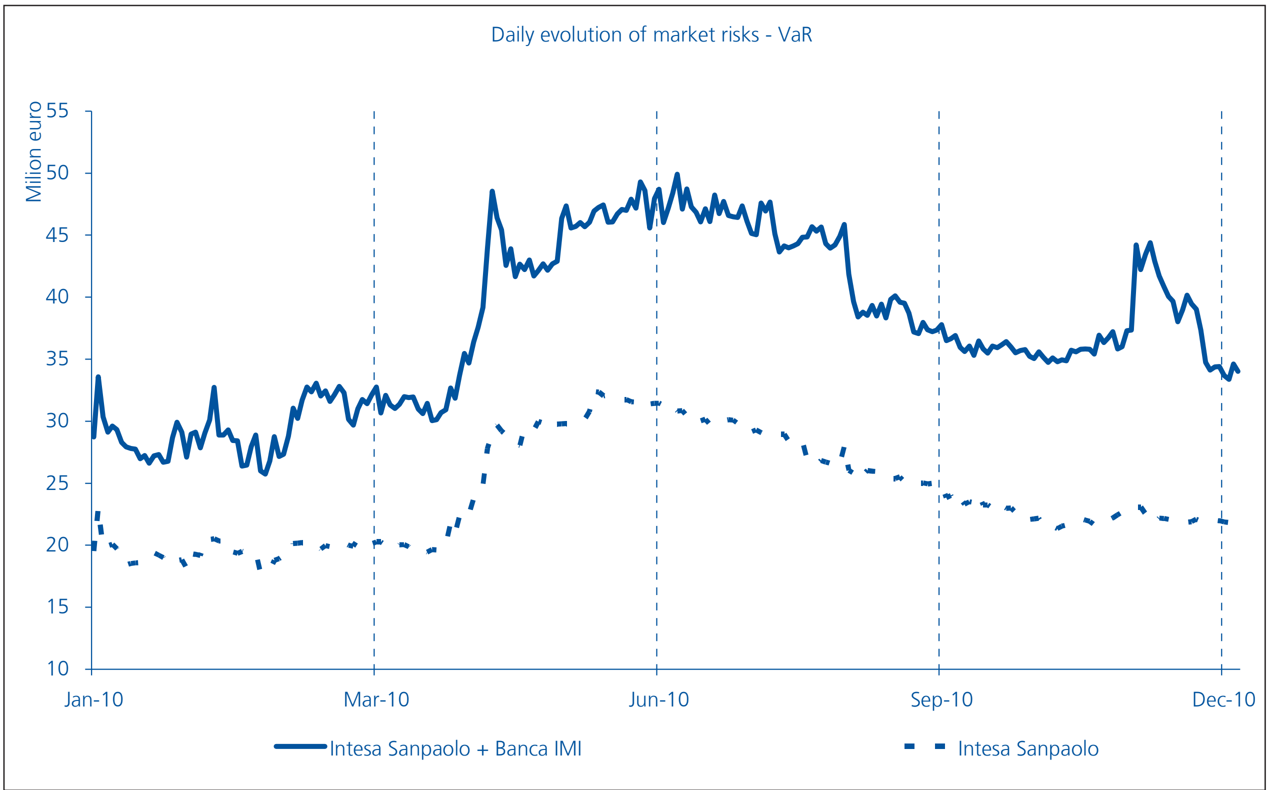
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2010-2009 (a)

(millions of euro)

	2010				2009		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	24.1	17.8	32.2	21.6	26.9	18.8	35.6
Banca IMI	13.9	8.9	22.4	13.2	13.7	7.2	21.7
Total	**38.0**	**27.6**	**49.9**	**34.8**	**40.6**	**27.1**	**55.6**

(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.

Banca IMI alone recorded an average VaR in line with the previous year. Observing performance over the year, it is clear that the risk measures grew in line with the crisis in the sovereign markets in the eurozone and a subsequent stabilisation mainly from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact of volatilities on historical 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 2010 for this portfolio, not included in the VaR limit monitoring and the above statistics, was approximately 8.8 million euro.



For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2010 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 54% of total VaR. Credit spread risk was the most significant component for Banca IMI, representing 51% of the total.

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

4th quarter 2010	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	3%	54%	14%	24%	2%	3%	0%
Banca IMI	8%	0%	24%	51%	2%	7%	8%
Total	**5%**	**25%**	**19%**	**39%**	**2%**	**6%**	**4%**

[(a)] Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2010, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to portfolio breakdown [(a)]

	31.12.2010	31.12.2009
- Catalyst Driven	0%	1%
- Credit	75%	72%
- Non credit strategies	5%	0%
- Directional trading	4%	4%
- Equity hedged	8%	9%
- Fixed Income Arbitrage	8%	12%
- Multi-strategy	0%	1%
- Volatility	0%	1%
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.

During 2010, the hedge fund portfolio achieved the envisaged asset allocation, investing in strategies linked to distressed credit and exiting other categories of credit more linked to market direction (e.g. Multistrategy, Volatility).

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-5	5	16	-15	82	-80	15	-4	-6	6
of which SCP					*6*	*-7*				

In particular:

– for positions on stock markets a 5% increase in stock prices and a resulting 10% drop in volatility would have led to a gain of about 5 million euro; on the contrary, a 5% decrease in prices and resulting 10% increase in volatility would have led to a loss of about 5 million euro;
– for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 15 million euro loss, whereas a parallel -25 basis point shift would have led to a 16 million euro gain;
– for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to an 80 million euro loss, of which about 7 million euro attributable to structured credit products (SCP);
– on foreign exchange exposures, the revaluation of the euro would have recorded a loss of about 4 million euro;
– lastly, on commodity exposures a 6 million euro loss would have been recorded had there been a 50% decrease in prices.

Backtesting

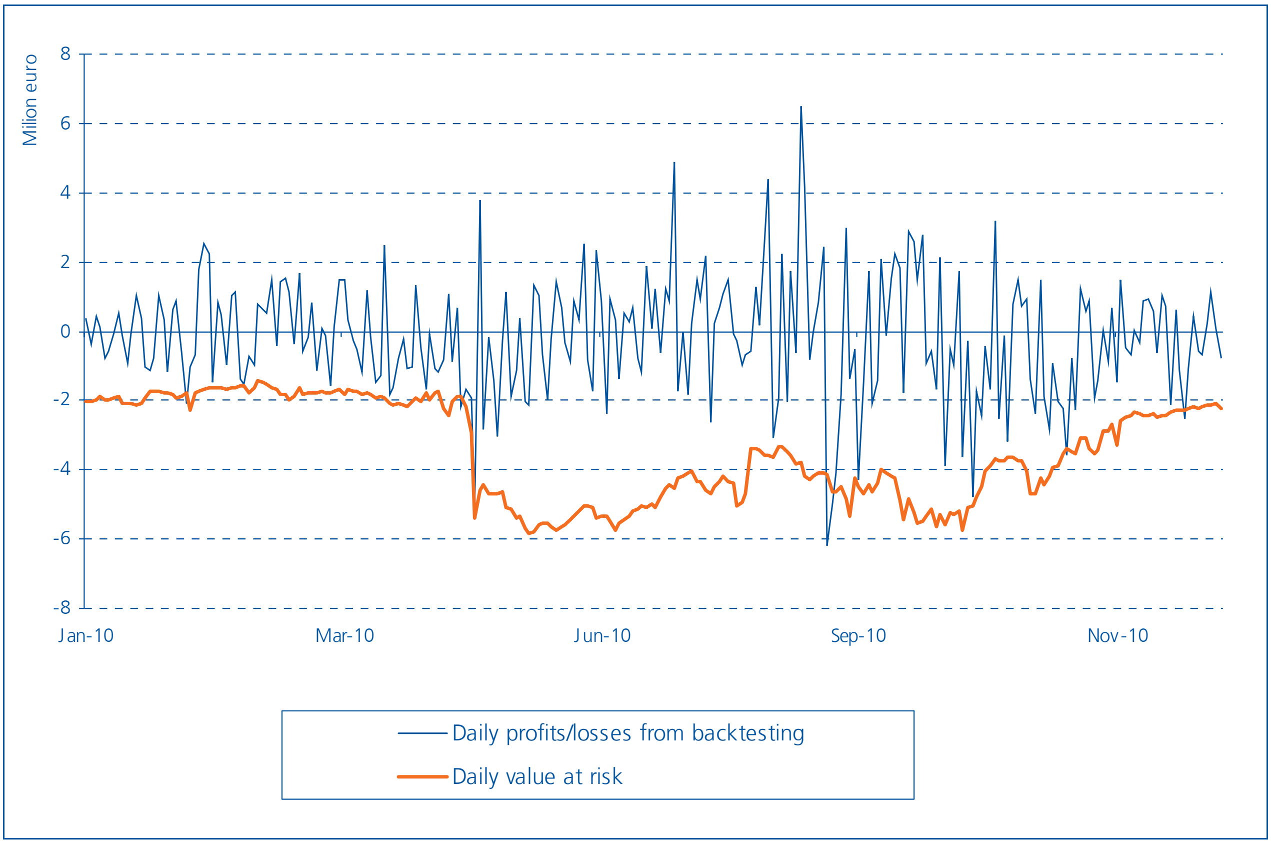
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

– 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.

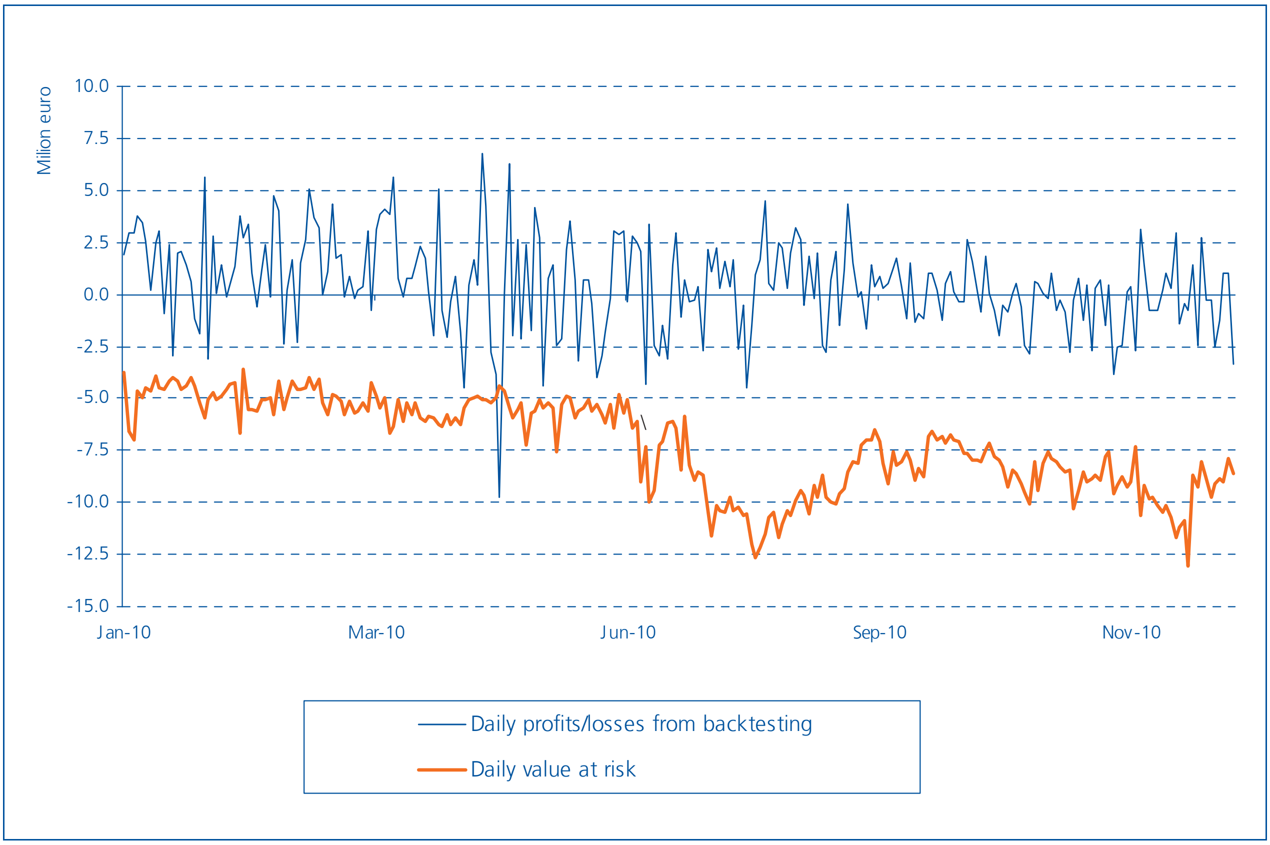
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, shown in the following graph, found six cases where the daily losses from backtesting were higher than the VaR estimate. These excesses are mainly due to the volatility of interest rates and the bases between the treasury and swap curves in the periods of tension on the financial markets, where there is greater portfolio concentration.



Backtesting in Banca IMI

Banca IMI's regulatory backtesting, set out in the following graph, highlights a critical situation in May due to the volatility of the treasury curves during the sovereign crisis in the eurozone.



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 indexes.

Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI [(a)]

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	44%	0%	62%	2%	35%	1%
Banca IMI	56%	-12%	43%	1%	10%	58%
Total	**100%**	**-5%**	**53%**	**2%**	**25%**	**25%**

[(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 of issuer risk exposures.

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 for Intesa Sanpaolo and the securitisation segment for Banca IMI.

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 on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the third quarter 2010, the Management Board resolved a new VaR limit for the Group of 70 million euro, an increase compared to the previous 63 million euro. This increase was defined for the purpose of purchasing out of the money options in a highly volatile market environment in which diametrically opposite scenarios may also occur.

The use of VaR limits in Intesa Sanpaolo (held for trading component), in the component sub-allocated to the organisational units, averaged 66% in 2010, with a maximum use of 98%. In Banca IMI, VaR operating limits averaged 59%, with a maximum use of 91%.

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 42% for Intesa Sanpaolo and 59% for Banca IMI.

The use of VaR operating limits on the AFS component at year end was 70%. The limit on that component amounts to 40 million euro and was introduced in 2009 to monitor the volatility of shareholders' equity.

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 effect and of the risk originated by on demand customer loans and deposits, whose features of stability and of 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. Equity risk sensitivity is measured as the impact of a price shock of ±10%.
Furthermore 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 Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the date of payment of the relevant interests.
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 (micro cash flow hedge).
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 hedging activities were performed to cover the price risk of the banking book.

D. Hedging of foreign investments
For equity shareholdings 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 branches abroad.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies
Interest margin sensitivity – assuming a 100 basis point rise in interest rates – amounted to +163 million euro (-166 million euro in the event of reduction) at the end of 2010; these values increased compared to the 2009 year-end figures (+119 million euro and -120 million euro, respectively, in the event of an increase/decrease in interest rates).
In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.
In 2010, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 516 million euro with a year-end figure of 426 million euro, almost entirely concentrated on the euro currency; these figures compare with 560 million euro at the end of 2009. Interest rate risk, measured in terms of VaR, averaged 98 million euro

in 2010, confirmed by the final year end figure (131 million euro at the end of 2009), with a minimum value of 82 million euro and a maximum value of 116 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 2010 of 94 million euro (126 million euro at the end of 2009), with minimum and maximum values of 83 million euro and 115 million euro respectively. The VaR at the end of 2010 amounted to 86 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.

Price risk: impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	-10%	-73
Price shock	10%	73

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 branches and subsidiaries abroad;
- 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 optimizing 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 of derivatives

(millions of euro)

	Currencies					
	US dollar	GB pound	Swiss franc	Yen	Egyptian pound	Other currencies
A. FINANCIAL ASSETS	**28,315**	**2,343**	**5,301**	**2,660**	**3,561**	**11,931**
A.1 Debt securities	4,937	800	345	1,072	751	2,591
A.2 Equities	682	156	21	4	89	158
A.3 Loans to banks	8,691	135	259	660	1,009	1,927
A.4 Loans to customers	14,005	1,252	4,676	924	1,712	7,255
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**2,696**	**1,056**	**62**	**130**	**-**	**255**
C. FINANCIAL LIABILITIES	**41,013**	**6,833**	**978**	**1,576**	**3,061**	**9,790**
C.1 Due to banks	12,128	815	446	367	15	1,880
C.2 Due to customers	10,213	1,384	313	515	2,381	7,004
C.3 Debt securities	18,671	4,634	219	694	665	887
C.4 Other financial liabilities	1	-	-	-	-	19
D. OTHER LIABILITIES	**1,000**	**394**	**27**	**58**	**-**	**270**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*1,160*	*124*	*145*	*186*	-	*79*
short positions	*1,896*	*79*	*95*	*189*	-	*53*
- Other derivatives						
long positions	*48,714*	*8,354*	*1,154*	*2,433*	-	*8,225*
short positions	*36,147*	*4,398*	*5,474*	*3,578*	-	*7,809*
TOTAL ASSETS	**80,885**	**11,877**	**6,662**	**5,409**	**3,561**	**20,490**
TOTAL LIABILITIES	**80,056**	**11,704**	**6,574**	**5,401**	**3,061**	**17,922**
IMBALANCE (+/-)	**829**	**173**	**88**	**8**	**500**	**2,568**

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 122 million euro as at 31 December 2010. 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)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,609,337**	**210,215**	**2,546,798**	**354,565**
a) Options	373,205	126,555	440,872	204,509
b) Swaps	2,235,310	-	2,105,572	-
c) Forwards	764	-	328	144
d) Futures	58	83,660	-	149,912
e) Others	-	-	26	-
2. Equities and stock indices	**36,937**	**17,658**	**52,243**	**12,640**
a) Options	36,543	16,012	51,776	11,966
b) Swaps	156	-	359	-
c) Forwards	238	-	108	-
d) Futures	-	1,646	-	674
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**101,916**	**7**	**79,229**	**13**
a) Options	11,793	-	6,580	-
b) Swaps	25,052	-	24,735	-
c) Forwards	64,597	-	47,646	-
d) Futures	-	7	-	13
e) Others	474	-	268	-
4. Commodities	**2,615**	**1,513**	**1,163**	**821**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,750,805**	**229,393**	**2,679,433**	**368,039**
AVERAGE VALUES	**2,719,832**	**300,071**	**2,692,371**	**439,380**

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(millions of euro)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**264,509**	**-**	**243,294**	**-**
a) Options	8,946	-	4,017	-
b) Swaps	255,563	-	239,277	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**5,718**	**-**	**4,314**	**-**
a) Options	-	-	-	-
b) Swaps	5,718	-	4,277	-
c) Forwards	-	-	37	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**270,227**	**-**	**247,608**	**-**
AVERAGE VALUES	**263,820**	**-**	**170,652**	**75**

A.2.2. Other derivatives

(millions of euro)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**13,860**	**-**	**4,284**	**-**
a) Options	8,763	-	2,296	-
b) Swaps	5,097	-	1,988	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**6,920**	**-**	**4,196**	**-**
a) Options	6,920	-	4,196	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**4,688**	**-**	**3,127**	**-**
a) Options	31	-	-	-
b) Swaps	714	-	280	-
c) Forwards	3,943	-	2,847	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**25,468**	**-**	**11,607**	**-**
AVERAGE VALUES	**16,620**	**-**	**15,620**	**-**

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 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			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**35,244**	**782**	**34,351**	**581**
a) Options	5,367	676	5,295	581
b) Interest rate swaps	27,373	-	26,345	-
c) Cross currency swaps	1,508	-	1,874	-
d) Equity swaps	4	-	39	-
e) Forwards	810	-	687	-
f) Futures	-	37	-	-
g) Others	182	69	111	-
B. Banking book - hedging	**7,377**	**-**	**6,991**	**-**
a) Options	505	-	239	-
b) Interest rate swaps	6,503	-	6,586	-
c) Cross currency swaps	369	-	165	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	1	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**699**	**-**	**551**	**-**
a) Options	319	-	209	-
b) Interest rate swaps	370	-	316	-
c) Cross currency swaps	6	-	3	-
d) Equity swaps	-	-	-	-
e) Forwards	4	-	23	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**43,320**	**782**	**41,893**	**581**

A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**38,083**	**674**	**36,272**	**481**
a) Options	6,525	579	6,126	481
b) Interest rate swaps	28,749	-	27,124	-
c) Cross currency swaps	1,880	-	2,297	-
d) Equity swaps	7	-	38	-
e) Forwards	745	-	567	-
f) Futures	-	57	-	-
g) Others	177	38	120	-
B. Banking book - hedging	**5,753**	**-**	**5,054**	**-**
a) Options	176	-	199	-
b) Interest rate swaps	5,037	-	4,340	-
c) Cross currency swaps	540	-	515	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**1,223**	**-**	**518**	**-**
a) Options	879	-	459	-
b) Interest rate swaps	219	-	33	-
c) Cross currency swaps	5	-	1	-
d) Equity swaps	-	-	-	-
e) Forwards	120	-	25	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**45,059**	**674**	**41,844**	**481**

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	3,892	46,365	12,158	4,412	39,553	415
- positive fair value	6	375	747	292	28	1,437	4
- negative fair value	-	-62	-1,180	-512	-113	-157	-24
- future exposure	-	33	127	86	19	177	1
2. Equities and stock indices							
- notional amount	52	-	2,759	323	6,138	-	142
- positive fair value	7	-	20	9	2	-	-
- negative fair value	-	-	-1,597	-1	-47	-	-4
- future exposure	5	-	25	10	8	-	-
3. Foreign exchange rates and gold							
- notional amount	-	154	8,309	9,031	251	7,245	63
- positive fair value	-	-	71	136	11	238	3
- negative fair value	-	-61	-417	-95	-2	-108	-
- future exposure	-	12	61	121	2	94	1
4. Other values							
- notional amount	-	-	1	8	-	1,398	3
- positive fair value	-	-	-	-	-	23	-
- negative fair value	-	-	-	-2	-	-64	-
- future exposure	-	-	-	1	-	150	-

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	2,150	-	1,740,513	758,117	109	1,453	-
- positive fair value	465	-	26,075	2,329	-	40	-
- negative fair value	-8	-	-27,978	-2,451	-14	-20	-
2. Equities and stock indices							
- notional amount	-	-	18,648	8,822	53	-	-
- positive fair value	-	-	554	196	-	-	-
- negative fair value	-	-	-688	-207	-3	-	-
3. Foreign exchange rates and gold							
- notional amount	748	1	67,277	6,713	404	1,720	-
- positive fair value	381	-	1,045	236	134	230	-
- negative fair value	-	-	-1,718	-419	-	-41	-
4. Other values							
- notional amount	-	-	742	105	-	358	-
- positive fair value	-	-	130	14	-	7	-
- negative fair value	-	-	-54	-11	-	-25	-

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	-	-	79,610	400	-	10	9,545
- positive fair value	-	-	938	2	-	-	3
- negative fair value	-	-	-2,294	-135	-	-1	-485
- future exposure	-	-	22	1	-	-	5
2. Equities and stock indices							
- notional amount	-	-	2,783	81	-	88	2,304
- positive fair value	-	-	3	-	-	8	-
- negative fair value	-	-	-389	-	-	-	-188
- future exposure	-	-	5	3	-	5	-
3. Foreign exchange rates and gold							
- notional amount	-	-	1,934	116	-	-	13
- positive fair value	-	-	46	-	-	-	-
- negative fair value	-	-	-149	-14	-	-	-
- future exposure	-	-	29	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	-	-	181,972	6,832	-	-	-
- positive fair value	-	-	6,331	215	-	-	-
- negative fair value	-	-	-2,496	-309	-	-	-
2. Equities and stock indices							
- notional amount	-	-	1,139	525	-	-	-
- positive fair value	-	-	119	69	-	-	-
- negative fair value	-	-	-1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	8,325	18	-	-	-
- positive fair value	-	-	337	5	-	-	-
- negative fair value	-	-	-515	-	-	-	-
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	**1,238,382**	**980,788**	**531,635**	**2,750,805**
A.1 Financial derivatives on debt securities and interest rates	1,146,190	945,150	517,997	2,609,337
A.2 Financial derivatives on equities and stock indices	6,725	26,407	3,805	36,937
A.3 Financial derivatives on foreign exchange rates and gold	84,070	8,013	9,833	101,916
A.4 Financial derivatives - other	1,397	1,218	-	2,615
B. Banking book	**134,439**	**100,693**	**60,563**	**295,695**
B.1 Financial derivatives on debt securities and interest rates	126,599	93,184	58,586	278,369
B.2 Financial derivatives on equities and stock indices	1,597	4,700	623	6,920
B.3 Financial derivatives on foreign exchange rates and gold	6,243	2,809	1,354	10,406
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2010	**1,372,821**	**1,081,481**	**592,198**	**3,046,500**
Total 31.12.2009	**1,269,211**	**1,049,825**	**619,612**	**2,938,648**

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	28,380	28,894	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	1,079	-	-	-
- Others	-	-	-	-
Total 31.12.2010	**29,459**	**28,894**	**-**	**-**
Average values	**29,453**	**41,861**	**-**	**-**
Total 31.12.2009	**29,356**	**54,809**	**-**	**-**
2. Protection sales				
- Credit default products	25,932	29,677	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	354	-	-	-
- Others	-	-	-	-
Total 31.12.2010	**26,286**	**29,677**	**-**	**-**
Average values	**28,046**	**42,727**	**-**	**-**
Total 31.12.2009	**26,216**	**55,779**	**-**	**-**

Part of the contracts in force as at 31 December 2010, shown in the table above, has been included within the structured credit products, namely: 1,070 million euro of protection purchases and 1,840 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 consolidated financial statements.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

	Positive fair value	
	31.12.2010	31.12.2009
A. Regulatory trading book	**2,233**	**2,386**
a) Credit default products	1,824	2,084
b) Credit spread products	-	-
c) Total rate of return swap	409	302
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,233**	**2,386**

Part of the positive fair values, recognised as at 31 December 2010, and shown in the table above, has been included within the structured credit products, namely: 337 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	
	31.12.2010	31.12.2009
A. Regulatory trading book	**2,382**	**2,722**
a) Credit default products	2,146	2,426
b) Credit spread products	-	-
c) Total rate of return swap	236	296
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,382**	**2,722**

Part of the negative fair values, recognised as at 31 December 2010, and shown in the table above, has been included within the structured credit products, namely: 663 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 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	-	57	2,343	2,219	-	-	-
- positive fair value	-	62	62	55	-	-	-
- negative fair value	-	-	-8	-10	-	-	-
- future exposure	-	6	182	150	-	-	-
2. Protection sales							
- notional amount	-	-	2,434	2,965	-	-	-
- positive fair value	-	-	9	240	-	-	-
- negative fair value	-	-	-88	-475	-	-	-
- future exposure	-	-	1,429	3,008	-	-	-
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	-	-	41,010	12,724	-	-	-
- positive fair value	-	-	978	385	-	-	-
- negative fair value	-	-	-273	-84	-	-	-
2. Protection sales							
- notional amount	-	-	38,487	12,077	-	-	-
- positive fair value	-	-	238	204	-	-	-
- negative fair value	-	-	-962	-482	-	-	-
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	**13,048**	**92,210**	**9,058**	**114,316**
A.1 Credit derivatives with "qualified reference obligation"	8,073	72,470	7,790	88,333
A.2 Credit derivatives with "unqualified reference obligation"	4,975	19,740	1,268	25,983
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2010	**13,048**	**92,210**	**9,058**	**114,316**
Total 31.12.2009	**19,232**	**134,331**	**12,597**	**166,160**

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	840	-	1,609	214	134	235	-
- negative fair value	-	-	-1,979	-483	-17	-42	-
- future exposure	37	-	1,191	1,894	30	94	-
- net counterparty risk	877	-	1,211	272	164	329	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-1	-	-	-	-
- future exposure	-	-	-	1	-	-	-
- net counterparty risk	-	-	-	1	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	1,312	323	-	-	-
- negative fair value	-	-	-1,087	-377	-	-	-
- future exposure	-	-	4,536	733	-	-	-
- net counterparty risk	-	-	4,252	777	-	-	-

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows through cash inflows, liquid assets and its ability to obtain credit. With regard to the liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- maintenance of an adequate level of unencumbered, high liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.

These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).

The short term Liquidity Policy includes the set of metrics, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk that can be assumed and ensuring the utmost prudence in its management.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early-warning indicators, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Parent Company and the Group Companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.
Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

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

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**2,554**	**1,800**	**1,128**	**2,405**	**3,872**	**3,054**	**2,193**	**7,493**	**3,844**	**4**
A.1 Government bonds	4	-	-	-	15	13	81	447	290	-
A.2 Other debt securities	14	213	3	221	60	101	212	1,674	1,570	3
A.3 Quotas of UCI	651	-	-	-	-	-	-	-	-	-
A.4 Loans	1,885	1,587	1,125	2,184	3,797	2,940	1,900	5,372	1,984	1
- Banks	*748*	*685*	*319*	*762*	*2,188*	*2,027*	*1,321*	*621*	*27*	*-*
- Customers	*1,137*	*902*	*806*	*1,422*	*1,609*	*913*	*579*	*4,751*	*1,957*	*1*
Cash liabilities	**4,570**	**13,364**	**2,274**	**5,958**	**7,403**	**3,173**	**969**	**2,955**	**72**	**-**
B.1 Deposits and current accounts	4,380	7,758	665	1,515	1,035	304	169	62	7	-
- Banks	*1,046*	*3,768*	*254*	*859*	*381*	*33*	*7*	*8*	*-*	*-*
- Customers	*3,334*	*3,990*	*411*	*656*	*654*	*271*	*162*	*54*	*7*	*-*
B.2 Debt securities	5	4,275	1,169	2,929	4,737	2,216	783	2,551	15	-
B.3 Other liabilities	185	1,331	440	1,514	1,631	653	17	342	50	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*179*	*10,821*	*2,857*	*7,593*	*9,994*	*3,613*	*5,056*	*4,400*	*3,090*	*-*
- Short positions	*75*	*8,139*	*2,051*	*5,260*	*7,263*	*2,362*	*5,413*	*3,004*	*3,538*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*970*	*-*	*7*	*1*	*1*	*19*	*100*	*17*	*68*	*-*
- Short positions	*1,098*	*-*	*5*	*2*	*-*	*18*	*97*	*17*	*68*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*201*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*157*	*7*	*17*	*1*	*19*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*5*	*1*	*9*	*155*	*230*	*709*	*13,239*	*1,227*	*-*
- Short positions	*622*	*33*	*-*	*5*	*147*	*216*	*706*	*14,518*	*1,440*	*2*
C.5 Financial guarantees given	-	-	-	-	10	-	1	1	3	2

Currency of denomination: Pound sterling

(millions of euro)

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

Currency of denomination: Yen

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**213**	**46**	**254**	**258**	**615**	**528**	**76**	**312**	**342**	**-**
A.1 Government bonds	1	-	28	-	305	471	-	80	101	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	73	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	212	46	226	258	310	57	76	232	168	-
- Banks	*112*	*32*	*209*	*109*	*106*	*19*	*36*	*38*	*-*	-
- Customers	*100*	*14*	*17*	*149*	*204*	*38*	*40*	*194*	*168*	-
Cash liabilities	**148**	**285**	**285**	**83**	**47**	**20**	**47**	**454**	**186**	**-**
B.1 Deposits and current accounts	148	-	1	37	1	1	47	74	-	-
- Banks	*82*	-	-	-	-	-	-	-	-	-
- Customers	*66*	-	*1*	*37*	*1*	*1*	*47*	*74*	-	-
B.2 Debt securities	-	-	-	46	46	19	-	380	186	-
B.3 Other liabilities	-	285	284	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*697*	*461*	*168*	*323*	*172*	*94*	*486*	*184*	-
- Short positions	*1*	*1,009*	*625*	*668*	*771*	*258*	*45*	*45*	*139*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*123*	-	-	-	*1*	-	-	-	-	-
- Short positions	*201*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*211*	-	-	-	-	-	-	-	-	-
- Short positions	-	*211*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*12*	-	*4*	*1*	-	-	-	-	-
- Short positions	*17*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	1	-	-	-	-

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**131**	**228**	**21**	**114**	**219**	**172**	**394**	**1,384**	**2,643**	**-**
A.1 Government bonds	1	-	-	-	-	-	89	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	7	247	-
A.3 Quotas of UCI	1	-	-	-	-	-	-	-	-	-
A.4 Loans	129	228	21	114	219	172	305	1,377	2,396	-
- Banks	*58*	*43*	*2*	*34*	*36*	*17*	-	*37*	*31*	-
- Customers	*71*	*185*	*19*	*80*	*183*	*155*	*305*	*1,340*	*2,365*	-
Cash liabilities	**262**	**26**	**26**	**197**	**92**	**38**	**15**	**117**	**200**	**-**
B.1 Deposits and current accounts	262	26	13	67	17	38	15	115	200	-
- Banks	*125*	*7*	*11*	*17*	*2*	-	*1*	*111*	*199*	-
- Customers	*137*	*19*	*2*	*50*	*15*	*38*	*14*	*4*	*1*	-
B.2 Debt securities	-	-	13	130	75	-	-	2	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*136*	*124*	*69*	*407*	*124*	*67*	*88*	-	-
- Short positions	*1*	*716*	*983*	*963*	*1,321*	*313*	*587*	*403*	*7*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*21*	-	-	*2*	*120*	*108*	*783*	*1*	-	-
- Short positions	*20*	-	*20*	*2*	*20*	*124*	*783*	*1*	-	-
C.3 Deposits and loans to be settled										
- Long positions	*4*	-	-	-	-	-	-	-	-	-
- Short positions	-	-	*4*	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*3*	*2*	*3*	-	-	-	-	-	-
- Short positions	*8*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

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

2. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
A brief description of the existing transactions as at 31 December 2010 is provided below.

Adriano Finance

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

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

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

SPQR II

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

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

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

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

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

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

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

Highlights

The risk exposure of structured credit products amounts to 3,715 million euro as at 31 December 2010 with respect to funded and unfunded ABSs/CDOs and to 87 million euro with respect to packages.
Only 4% of the outstanding positions was affected by a reduction in creditworthiness as at 31 December 2010, a significant decrease compared to the 27% recorded as at 31 December 2009. The situation of the structured credit products portfolio at the end of 2010 is described by the following indicators:

- 80% of the exposure was Investment Grade, compared to 73% as at 31 December 2009;
- 44% had an AAA rating. The percentage of Super senior was reduced to zero as at 31 December 2010;
- 20% had a BBB rating or less, compared to 27% as at 31 December 2009;
- 24% of the exposure had a pre-2005 vintage[1];
- 34% has a 2005 vintage;
- only 8% of exposure refers to the US Residential segment, and 23% to the US non-residential segment;
- the remaining exposure (69% of the total) is 65% European.

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

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

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

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

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

TOTAL	**3,715**	**83**	**3,862**	**-58**

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

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

b) Exposure in packages

(millions of euro)

	31.12.2010		31.12.2009	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	17	19	10	31
Non monoline packages	70	1	98	4
TOTAL	**87**	**20**	**108**	**35**

The overall risk exposure of structured credit products rose from 3,862 million euro as at 31 December 2009 to 3,715 million euro as at 31 December 2010, in addition to an exposure of 87 million euro in connection with structured packages (108 million euro as at 31 December 2009). In the last three months of 2010, taking advantage of market opportunities, the subsidiary Banca IMI purchased ABS for 117 million euro in terms of risk exposure. Net of the increase due to the aforementioned purchase of securities, risk exposure of structured credit products as at 31 December 2010 decreased compared to 31 December 2009, as a result of the depreciation of the euro against the US dollar.
From an income statement perspective, structured credit products improved, reaching +103 million euro as at 31 December 2010 compared to a loss of -23 million euro as at 31 December 2009.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of +76 million euro. The result on this segment was a result of the effects of:

– unfunded positions included in the area "Other structured credit products" (+37 million euro as at 31 December 2010, of which +26 million euro in unfunded super senior CDOs and +11 million in Other unfunded positions);
– funded and unfunded positions associated with the "Contagion Area" (+19 million euro); this result is further improved if the positions in funds attributable to the segment are also considered (+16 million euro);
– European and U.S. funded ABSs/CDOs (+3 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (+1 million euro).

The securities reclassified to the loans portfolio showed an overall positive impact on the income statement of 7 million euro as at 31 December 2010. This figure includes 4 million euro in losses, deriving from the impairment of a security included in the portfolio of the Romulus vehicle, and 11 million euro in profits on market disposal of securities included in this segment.
The "Monoline risk" and "Non-monoline packages" made a positive contribution of 20 million euro as at 31 December 2010, compared to +35 million euro recorded at the end of 2009. This decrease was mainly due to the changes in the monoline credit spread that the Bank is exposed to.
It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 31 December 2010, the aggregate included bonds classified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Fair value as at 31.12.2010**	**Benefit from the reclassification as at 31.12.2010** (***)	**Effect on Shareholders' Equity**
Reclassified securities:					
- from financial assets available for sale to loans	185	161	80		81
- from financial assets held for trading to loans	2,037	1,900	1,711	189	
Total Securities reclassified to loans	**2,222**	**2,061**	**1,791**	**189**	**81**
Securities classified under loans from inception	199	192			
Total securities classified under loans from inception	**199**	**192**			
TOTAL LOANS	**2,421**	**2,253**	**1,791**	**189**	**81**

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

(millions of euro)

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

US subprime exposure

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

As at 31 December 2010, the Intesa Sanpaolo Group:

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

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

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

US subprime exposure

(millions of euro)

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

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

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

(millions of euro)

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

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

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

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

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

"Contagion" area

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

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

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

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

"Contagion" area: Multisector CDOs

(millions of euro)

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

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

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

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

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

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

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

[6] But not the positions of Funds.

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

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

(millions of euro)

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

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

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

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

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

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

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

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

(millions of euro)

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

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

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

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

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

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

"Contagion" area: Prime CMOs

(millions of euro)

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

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

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

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

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

Monoline risk

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

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

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

Monoline risk

(millions of euro)

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

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

Non-monoline packages

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

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

Non-monoline packages

(millions of euro)

Product	Position as at 31.12.2010				2010 Income statement Profits (Losses) on trading	
					Fair value write-down of the hedge	
	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	whole year	*of which 4Q*
Positions in packages:						
Subprime	349	278	71	70	1	-
TOTAL	**349**	**278**	**71**	**70**	**1**	**-**

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

Other structured credit products

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

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

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

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

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

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

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

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

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

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

ii. Funded ABS/CDOs ascribable to the Romulus vehicle

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

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

iii. Unfunded super senior Corporate Risk CDOs

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

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

iv. Other unfunded positions

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

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

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

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

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

Other structured credit products

(millions of euro)

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

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

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

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

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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

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

Funding SPEs

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

(millions of euro)

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

(1) Subordinated guarantee given by Intesa Sanpaolo.

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

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies, which retain the majority of the risks and rewards; SPEs for insurance products are consolidated pursuant to IAS 27 / SIC 12.
In the Group there are 63 entities of this type with total net assets of approximately 16 billion euro (of which 8 billion euro relative to funds that report to Fideuram Gestions).
As at 31 December 2010, the assets of the funds in which Eurizon Vita/Eurizon Life hold the majority of the quotas in circulation are invested in bonds and liquidity for around 64% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 87% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 21%), in corporate bonds (around 12%), and in shares (around 3%). In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs made up around 2.4% of the Group's total consolidated assets.

Securitisation SPEs

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

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

(millions of euro)

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

(1) ISP is committed to support the vehicle through limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The IAS rules on first time adoption (IFRS 1) and the derecognition of financial assets and liabilities have been applied in full to the securitisations.

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

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

Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:
- Romulus Funding Corporation, a company based in the USA that purchases financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and finances purchases by issuing Asset-Backed Commercial Papers;
- Duomo Funding Plc., an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

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

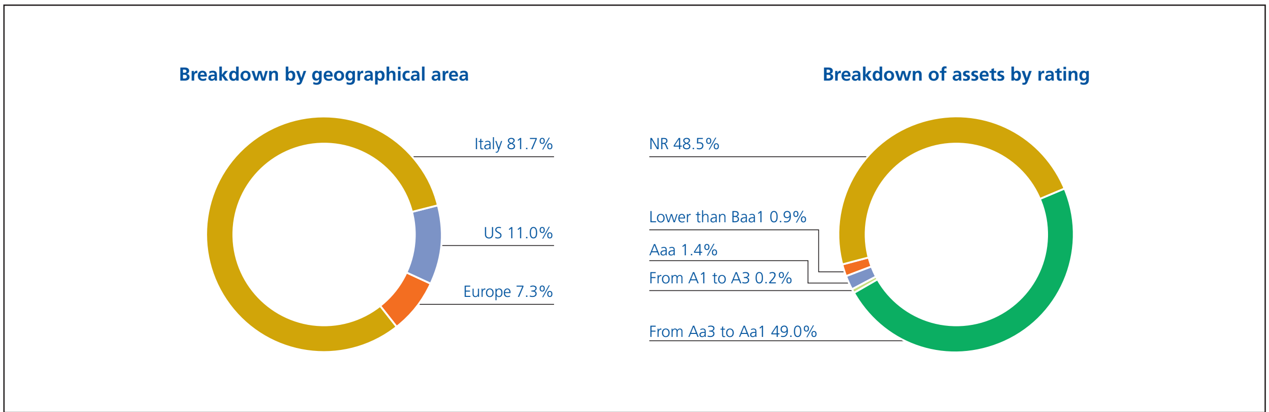
(millions of euro)

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

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

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

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



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

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

(millions of euro)

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

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

collateral to its funding with the European Central Bank, via transactions closed through Intesa Sanpaolo. Compared to 31 December 2009, the tranche of the securitisation carried out through Banca IMI was closed.
The total assets of securitisation SPEs made up around 0.4% of the total consolidated assets.
Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle “Da Vinci" (to hedge and actively manage risk exposure in the aircraft and aeronautic sector).
As at 31 December 2010 the Group’s exposure to the vehicle Da Vinci was 5 million euro, consisting entirely of securities.

Financial Engineering SPEs

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

(millions of euro)

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

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

Project Financing SPEs

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

Asset Backed SPEs

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

Leveraged & Acquisition Finance SPEs

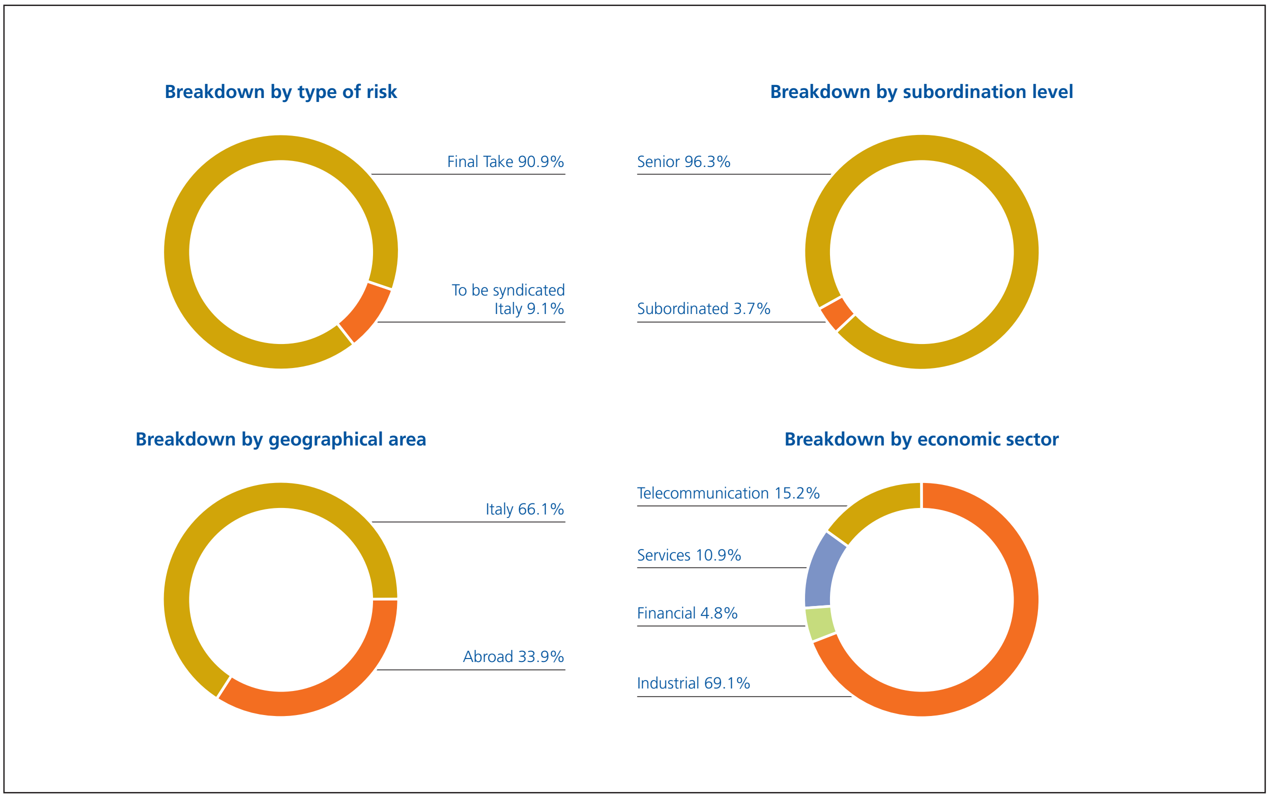
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivatives SPEs

Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from a SPE to the Bank, both by a credit derivative protection sold or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers the Bank the possibility of hedging risk on portfolios of assets.
There are never equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are never any equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and benefits deriving from the activities of the vehicle.

LEVERAGED FINANCE TRANSACTIONS

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



DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

The hedge funds portfolio as at 31 December 2010 totalled 814 million euro, compared to the 740 million euro recorded at year-end 2009.
As at the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments continued to be positive at 84 million (including 16 million euro in the structured credit products disclosure). Of these net profits:
– 1 million euro is represented by net profits realised during the year from fund trading;
– 80 million euro related to net valuations of positions outstanding at the year-end (including 16 million euro in the structured credit products disclosure);
– 3 million euro from other net income.
Taking into account the net capital gains on the final residual amount (80 million euro), these were spread across 43 positions, 9 of which recording capital losses (5 million euro) and 34 capital gains (85 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through three main poles (in terms of volumes traded):

– Banca dei Territori Division, for the sale of derivative products to retail and corporate customers with consolidated turnover under 150 million euro, through the branch network of Intesa Sanpaolo and of the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
– Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks. Derivatives sold by the network are hedged back to back with Banca IMI;
– Public Finance Business Unit, for the sale of derivative products to public entities, through Banca Infrastrutture Innovazione e Sviluppo. Derivatives sold are hedged back to back with Banca IMI.

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

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

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

Considering only relations with customers, as at 31 December 2010, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, not having applied netting agreements, of 3,268 million euro (3,008 million euro as at 31 December 2009). The notional value of such derivatives totalled 45,875 million euro (47,107 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 35,054 million euro (32,925 million euro as at 31 December 2009), and of structured contracts was 10,821 million euro (14,182 million euro as at 31 December 2009).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 309 million euro (253 million euro as at 31 December 2009). The same indicator, referred to the total contracts with a positive fair value, was 1,472 million euro.

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 552 million euro at 31 December 2010 (327 million at 31 December 2009). The notional value of such derivatives totalled 13,157 million euro (8,321 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 11,576 million euro (7,057 million euro as at 31 December 2009), and of structured contracts was 1,581 million euro (1,263 million euro as at 31 December 2009).

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

As regards the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see Part A of the Notes to the consolidated financial statements - Fair value measurement. Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges with banks and financial companies.

1.4. BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

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.
With regard to operational risk, the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approaches (internal model) to determine the associated capital requirement on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was authorised to extend the Advanced approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining companies, currently using the Standardised approach, will migrate progressively to the Advanced approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority.
The control of the Group's operational risks 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 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 Internal Auditing) 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 monitoring 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 (the Operational Risk Management 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.

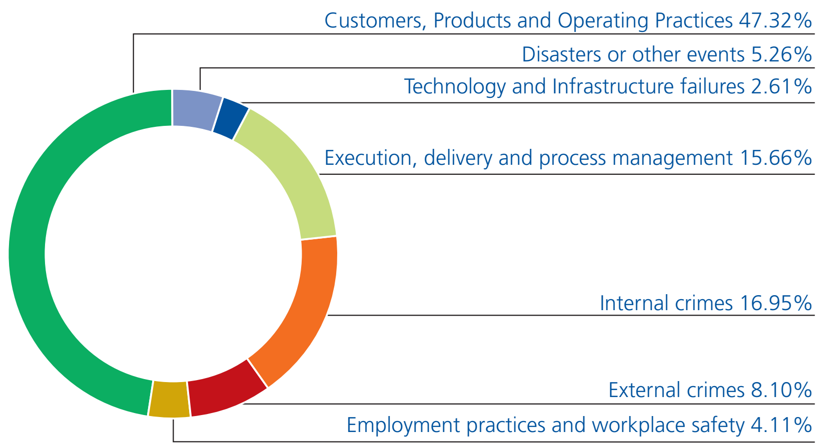
Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme 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 allowed under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,174 million euro.

The following is an illustration of the breakdown of capital requirement calculated with the Advanced Measurement Approach (AMA) by type of operational event.

Breakdown of capital requirement (Advanced Measurement Approach – AMA) 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.

Dispute relating to 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 clause 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 interim 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.
In the judgment handed down by its Joint Sections on 2 December 2010, the Court of Cassation again made its voice heard on the matter, finding any form of capitalisation of interest to be unlawful and further ruling that the ten-year term of prescription applicable to account-holders' entitlement to reimbursement of unduly paid interest begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
Without prejudice to the fact that the application of the above principles is limited to contracts entered into prior to 2000, it is not believed possible to arrive at an a-priori estimate of the impact that this judgment may have on ongoing and possible future proceedings, given that the possibility that the account-holders' claims may be reduced due to prescription will need to be verified case by case, according to existence of proof regarding whether there were active lines of credit on the current account from which quarterly interest was paid and depending on how the overdraft facilities were employed.
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 appropriate, adequate provisions to the allowances for risks and charges.
Lastly, in Law 10/2011, published in edition 47 of the Official Journal on 26 February 2011, in conversion of Law Decree 225 of 29 December 2010 ("Annual Extensions Act"), the legislator enacted a statute that provides an official criterion for interpreting the tolling of the ten-year term of prescription by establishing that in banking transactions via a current account, the term in question begins to toll on the date of individual account entries, while also stating that amounts paid prior to the entry into force of the cited conversion law are to remain unaffected and thus cannot be claimed.

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 extended, in agreement with all of the associations representing consumers at the national level, 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 review of claims ended in June 2010 with a total of approximately 15 million euro in reimbursements. The evaluation process was based on the principle of fairness and was 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 benefited from the support offered by the Sanpaolo IMI Customer Parmalatbond Committee. Formed in 2004, 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 four important settlements reached by the Committee and the parties against whom civil claims were brought in the trials. These settlements resulted in the recovery of approximately 97 million euro, distributed amongst the participants.
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 to account for a dispute 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. The dispute in question, which is limited in scope, is covered by appropriate allowances that reflect each case's specific qualities. As part of a system-wide initiative, the Intesa Sanpaolo Group oversaw and secured 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.

The Cirio Group default - In November 2002, the Cirio Group, one of Italy's largest agro-industrial operators, defaulted on 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, ten companies of the Cirio group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto (presently Banca IMI), 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.
The claimants appealed this judgment and at the first hearing the proceedings were adjourned until 6 July 2011.

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 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.
Intesa Sanpaolo also undertook to indemnify the buyer against any out-of-period expenses associated with the collection activity carried out up to the moment of sale of the investment (September 2006): the most significant share of such contingent liabilities may be attributed to ongoing proceedings before the Court of Auditors regarding alleged irregularities committed by the collection agent, in particular in activity performed in the early Nineties.
In addition, a statute that calls for any payment obligations associated with the collection activity carried out by the transferred company prior to the sale to be transferred directly to the seller entered into force in 2005.
Although Gest Line availed itself of the option afforded to it by Law 311/2004 to remedy irregularities deriving from the performance of collection activity by paying an amount determined according to the parameter of three euro per inhabitant served, some regional sections of the Court of Auditors, which were hearing the cases regarding those irregularities, and later the Central Sections on appeal, have found that the amnesty statute does not apply to the circumstances at issue in the case. Law Decree 248/2007 was then enacted with the aim of providing an official interpretation of the scope of application of the above amnesty. Nonetheless, the situation in case law has remained essentially unchanged.
Finally, Law Decree 40 of 25 March 2010 allowed parties that have sold their interests in collection agencies to settle on advantageous terms all proceedings pending at 26 May 2010 in connection with collection activity conducted through 30 June 1999 by paying 10.91% of the amounts at issue.
On 29 October 2010 the Bank opted to reach such an advantageous settlement, agreeing to pay the indicated percentage of 10.91% by the stated terms.
The Group is currently awaiting the receipt of notice of extinguishment of all proceedings affected by the statute in question, including the most recent lost-revenue trial initiated by the Public Prosecutor before the Court of Auditors, Emilia Romagna section, which is to continue solely for the part referring to municipal taxes, much more limited in amount that the original claim.

Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto litigation - Banca Infrastrutture Innovazione e Sviluppo (BIIS), 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 the 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. The Municipality and Bank have agreed not to enforce the judgement, given that the trial is expected to be concluded by next spring.
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 appealed the judgement before the Regional Administrative Court of Puglia, which in a ruling handed down in February 2011 rejected the appeal due to lack of jurisdiction, without prejudice to the claims against the Municipality.

Codacons class action - 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 pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit, brought before the Court of Turin, sought a finding that the new fee structure introduced by the Bank to replace the overdraft charges was unlawful and, accordingly, a sentence ordering the Bank to provide compensation for the alleged damages, possibly also to 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.
On 4 June 2010, the Court of Turin filed an order stating the inadmissibility of such class action. The order was appealed before the Turin Court of Appeal, which in an order filed on 25 October 2010 rejected the appeal. Codacons also appealed this judgment before the Court of Cassation, where the proceedings are still pending.

Altroconsumo class action - On 17 November 2010, the association Altroconsumo, acting on behalf of three account holders, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit seeks a finding that application of overdraft charges and the new fee for overdrawing accounts without credit facilities in place is unlawful.
It also seeks an inquiry into whether the "threshold rate" set out in Law 108/96 (usury) has been exceeded and a sentence enjoining the restitution of any amounts collected by the Bank in excess of that threshold.
At present, the claim has been quantified at the total amount of approximately 456 euro in relation to the accounts cited by the three claimants in the trial. The summons specifies that the first hearing is set for 23 March 2011.
Appropriate initiatives are being taken to combat the counterparty's action, in light of the positive experience with the previous class action brought by Codacons.

Angelo Rizzoli litigation - In September 2009, Angelo Rizzoli filed suit 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 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.
After the customary briefs were exchanged by the parties, at the hearing of 18 January 2011 the judge reserved the decision of the preliminary claims.

Allegra Finanz AG – This civil dispute involves various banks, including Intesa Sanpaolo, and pertains to the Parmalat default. By writ of summons served on 31 January 2011, Allegra Finanz AG and 16 other international institutional investors brought suit before the Court of Milan against several leading international financial institutions, Intesa Sanpaolo and Eurizon Capital SGR (as the successor to Nextra), seeking a sentence of joint and several - or, subordinately, pro-rata - compensation for damages quantified in the total amount of 129 million euro, in addition to interest and currency appreciation, the sum corresponding to the losses claimed by the claimants as a result of investments in bonds and shares issued by various Parmalat group companies, net of partial repayment received according to the restructuring plan.
The claimants allege that the defendants, acting in various capacities and in different ways, contributed to concealing the Parmalat group's true economic conditions through financial transactions that deceitfully allowed it to survive, resulting in the transfer of the risk of default to investors.
Intesa Sanpaolo's involvement in the proceedings relates to a private placement of 300 million euro by Parmalat Finance Corporation BV fully subscribed for by Nextra in June 2003, a transaction that, as stated by the claimants themselves, resulted in a settlement between Nextra and the Parmalat extraordinary administration procedure. The first hearing has been scheduled for 19 September 2011. The implications of this legal initiative are being assessed.

Other judicial and administrative proceedings involving the New York branch - 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 clearing through the United States 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. While a settlement involving the payment of a fine by ISP is still possible, available information do not allow for a forecast of the timing, outcome and amount of the possible fine.

Labour litigation
The dispute with the Turin office of INPS regarding non-payment by Sanpaolo IMI of contributions to finance involuntary unemployment relating to the period 1 November 2002 - 31 December 2006 - described in further detail in the 2008 and 2009 financial statements - was put to rest through a settlement in the total amount of 33.4 million, with the use of the specific provision to the specific allowance for risks.
In general, all labour litigation is covered by provisions adequate to meet any outlays.

Tax litigation
Overall tax litigation risks are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 252 litigation proceedings, in which a total of 1,040 million euro are at issue, including disputes in both administrative and judicial venues at various instances. The actual risks associated with these proceedings were quantified at 109 million euro at 31 December 2010.
No specific provisions were recognised to account for the new disputes that arose in 2010, the total amount at issue in which comes to 867 million euro in taxes, penalties and interest, owing to the arbitrary nature of the underlying arguments, which make it wholly unlikely that the associated litigation proceedings, initiated in a timely manner, will have a negative outcome.
Such proceedings include the following, remarkable for the amounts at issue or the nature of the claims:

- the sale without recourse of doubtful loans to Castello Finance S.r.l., transacted in 2005 by Banca Intesa and the merged Intesa Gestione Crediti: contested amount of 342 million euro in IRES, penalties and interest, assuming that the conditions of certainty and finality required under art. 101 of the Consolidated Income Tax Act do not apply;
- structured-finance transactions undertaken in 2005 involving shares of companies listed in Italy, contested in the total amount of 377 million euro in IRES, IRAP, penalties and interest, under the assumption of alleged misuse of a right;
- alleged irregularities in the trading of raw gold with a counterparty belonging to a Swiss multinational; the associated claim is 42 million euro, in addition to penalties and interest;
- contribution of branches to Cariparma and Friuladria and subsequent sale of shares to Crédit Agricole. The amount of the claim is 44 million euro in registration tax and interest, without penalties due to the anti-avoidance basis of the allegation, owing to the re-designation of such transactions to constitute a single step-based process to be considered on a par with the sale of a business unit;
- sale of branches by order of the Competition Authority, with a claim of 7 million euro in registration tax, due to the greater goodwill allocated than acknowledged by the counterparty and the documents.

The Group's other Italian and international companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 614 million euro is at stake at 31 December 2010, reflected by specific allowances of 51 million euro.
The most significant disputes that arose in 2010 in this area also revolve around interpretative issues; the charges brought in this connection appear largely groundless.
These include:

- Cassa di Risparmio in Bologna, for 21 million euro in IRES, IRAP and VAT, penalties and interest, largely claimed in relation to an exchange with the Municipality of Bologna as part of a complex real-estate transaction;
- Mediocredito Italiano, for a total of 20 million euro in IRES, penalties and interest in connection with its participation in 2005 in the without-recourse sale of loans to Castello Finance S.r.l..

Disputes that gave rise to further consequences in addition to the charges brought in previous years include:

- Intesa Investimenti, which was served notice of assessments of IRES for 2004, in the total amount of 67 million euro, and IRES and IRAP for 2005, in the amount of 112 million euro arising from the audit of 2004, 2005 and 2006 that provided the basis for a total claim of 211 million euro in taxes, penalties and interest due to the re-designation of financial income collected through investment in an English Open-End Investment Company (OEIC);
- Banca IMI, which was served notice of assessments relating to 2005, in the total amount of 24 million euro, arising from audits of Banca IMI and the former Banca Caboto, for the years 2004-2006, which provided the basis for a total claim of 105 million euro in taxes, penalties and interest, to be added to the 5 million euro associated with the similar dispute for 2003. The above disputes relate primarily to transactions involving share dividends, as well as other matters pertaining to operations typical of capital markets and investment banking. On 8 March 2010, the Provincial Tax Committee of Milan granted part of the appeal filed against the IRPEG and IRAP assessment notice for the tax period 2003;
- Centro Leasing Banca, which was served notice of assessments relating to 2005, in the amount of 5 million euro, in connection with the audit of years 2003-2007, which formed the basis of a total claim of 56 million euro in IRES, IRAP, VAT, penalties and interest in connection with a group of real-estate sale-and-leaseback transactions re-designated as secured lending transactions on the basis of the jurisdictional principle of misuse of a right. The audits of 2003 and 2004 have already been annulled in their entirety by the Provincial Tax Committee of Florence;
- Leasint, whose disputes, in the total amount of 37 million euro, are primarily attributable to the following issues: one group regards transactions for which there was found to be no record with the counterparties, another the question of whether the ordinary VAT regime or the special lump-sum VAT regime is applicable to boat leasing and the third the problem of standing to pay for "registration tax" on leased vehicles. Finally, there is the Calit case, whose underlying deeds of contribution and

subsequent sale of the investment to the Crédit Agricole Group have been reclassified as the sale of a business unit.
Pending international charges, whose total amount comes to approximately 16 million euro, are not material in amount when compared to the volume of the Group's business.

On the whole, many of the charges at issue in litigation, and particularly those arising from audits of which notice was given in 2010, appear utterly ungrounded and, as stated above, based solely upon interpretations of tax statutes that are without merit in that they are in conflict with provisions of law and, in many cases, alleged "misuse of a right", a legal construct created in other terms and for other purposes in the case law of the Court of Cassation that does not exist in the body of Italian statutes.
Essentially in order to facilitate any application of deflationary procedures for litigation in connection with certain assessments and the foreseeable outcome of ongoing audits, the amount of 100 million euro has been allocated to allowances for risks and charges.
The Group companies' rights are protected by external and internal professionals of considerable ability and experience who are determined to see that those rights are respected in the competent Italian and European venues.
As mentioned above, specific provisions of adequate amount have been recognised to account for the other litigation, the risks of which are systematically and diligently assessed.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

Life business

The typical risks of the life insurance portfolio (managed by EurizonVita, EurizonLife, Intesa Vita, FideuramVita, SudPoloVita and CentroVita) may be divided into three main categories: premium risks, actuarial and demographic risks 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). 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 General manager and the heads of all company functions, in order to take account of and validate its structure and features.

Actuarial and demographic 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 systematic 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.

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.

In the tables below, the structure of the mathematical reserves by expiry date and the structure of the guaranteed minimum yield as at 31 December 2010 are shown.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	2,425	4.76
1 to 5 years	9,707	19.04
6 to 10 years	1,680	3.30
11 to 20 years	1,759	3.45
over 20 years	35,404	69.45
TOTAL	**50,975**	**100.00**

(millions of euro)

Breakdown of risk concentration by type of guarantee	Total Reserves	%
Insurance and investment products with guaranteed annual yield		
0% - 1%	3,834	7.58
from 1% to 3%	29,362	58.07
from 3% to 5%	7,782	15.39
Insurance products	**10,910**	**21.58**
Shadow reserve	**-1,325**	**-2.62**
TOTAL	**50,563**	**100.00**

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.

(millions of euro)

Breakdown of financial liabilities by maturity	Within 12 months	Over 12 months	Total as at 31.12.2010	Total as at 31.12.2009
Unit linked	308	21,001	21,309	17,506
Index linked	2,795	2,548	5,343	7,608
Subordinated liabilities	85	253	338	338
Total	**3,188**	**23,802**	**26,990**	**25,452**

Non-life business

The typical risks 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 the 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.
With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.

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 branches). 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 2010 for EurizonTutela and CentroVita is provided below.

(millions of euro)

Development of Claims Reserves	Year of generation/event					
	2006	2007	2008	2009	2010	TOTAL
Reserve amount:						
as at 31/12 generation year N	27	30	39	56	58	
as at 31/12 year N+1	25	30	37	55	-	
as at 31/12 year N+2	23	27	36	-	-	
as at 31/12 year N+3	23	27	-	-	-	
as at 31/12 year N+4	23	-				-
Total claims paid	**21**	**23**	**27**	**34**	**17**	**122**
Claims reserve booked as at 31.12.2010	**2**	**4**	**9**	**22**	**41**	**78**
Final claims reserve for previous years						**3**
Total claims reserve booked as at 31.12.2010						**81**

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 Finance 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.
In order to measure and manage all the underwriting and financial risks together, a simulation tool is also used with the objective of measuring the intrinsic value, the fair value of the liabilities and the economic capital.
The system is based on a dynamic Asset Liability Management (ALM) model that forecasts stochastically-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 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 evaluated on a monthly basis, seeking to keep the indicators of the average financial duration of these two components in a fixed range of compatibility, 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 2010, the investment portfolios of the Group companies, recorded at book value, amounted to 81,535 million euro; of these, the part regarding life policies with profit participation, non-life policies and free capital (“Class C portfolio” or “portfolio at risk”) amounted to 42,939 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 38,596 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 segregated fund and free capital

In terms of breakdown by asset class, net of loans on policies and positions in derivative financial instruments detailed below, 94.3% of the assets (40,636 million euro) consisted of bonds, whereas assets subject to equity price risk represented 2.3% of the total and amounted to 1,009 million euro. The remainder (3.4%, 1,443 million euro) consisted of investments relating to UCI, private equity and hedge funds.
Investments relating to the free capital of EurizonVita, Intesa Vita, SudPoloVita, CentroVita and FideuramVita amounted to 3,191 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 112 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 4.8% short-term (under 1 year), 27.5% medium-term and 62% long-term (over five years).

(millions of euro)

Financial assets	**Book value**	**%**	**Duration**
Fixed-rate bonds	**33,768**	**78.37**	**6.30**
up to 1 year	1,707	3.96	
1 to 5 years	8,644	20.06	
over 5 years	23,417	54.35	
Floating rate/indexed bonds	**6,868**	**15.94**	**1.10**
up to 1 year	352	0.82	
1 to 5 years	3,189	7.40	
over 5 years	3,327	7.72	
TOTAL	**40,636**	**94.31**	**5.40**
Equities or similar capital securities	**1,009**	**2.34**	
UCI, Private Equity, Hedge Fund	**1,443**	**3.35**	
TOTAL AS AT 31.12.2010	**43,088**	**100.00**	

The bond portfolio's modified duration is 5.4 years. The reserves relating to the life policies with profit participation under segregated fund have an average modified duration of 7.1 years. The related portfolios of assets have a modified duration of around 5.3 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 2,131 million euro. In this scenario, the value of hedging derivatives increases by 101 million euro which partly offsets the capital loss registered by bonds.

(millions of euro)

	Book value	**%**	**Fair value changes due to interest rate fluctuations**	
			+100 bps	**-100 bps**
Fixed-rate bonds	33,768	83.40	-2,047	2,264
Floating rate/indexed bonds	6,868	16.96	-84	96
Interest rate risk hedging effect	-148	-0.37	101	-126
TOTAL	**40,488**	**100.00**	**-2,030**	**2,234**

Credit risk exposure

The investment portfolio had a high credit quality: as shown in the table below, AAA/AA bonds represented 75.4% of total investments and A bonds approximately 12.9%. Low investment grade securities (BBB) constituted around 4.4% of the total and the portion of speculative grade or unrated securities was marginal (1.6%).

(millions of euro)

Breakdown of financial assets by issuer rating	**Book value**	**%**
Bonds	**40,636**	**94.31**
AAA	6,100	14.16
AA	26,396	61.27
A	5,550	12.88
BBB	1,880	4.36
Speculative grade	407	0.94
Unrated	303	0.70
Equities or similar capital securities	**1,009**	**2.34**
UCI, Private Equity, Hedge Fund	**1,443**	**3.35**
TOTAL	**43,088**	**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 approximately made up 67.2% of the total investments, whereas financial companies (mostly banks) contributed to around 22.3% of the exposure and industrial securities made up 4.8%.
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 2010, are shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	28,949	71.24	-1,893	2,092
Corporate bonds	11,687	28.76	-466	489
TOTAL	**40,636**	**100.00**	**-2,359**	**2,581**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 101 million euro, as shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	225	22.30	-23
Equities - Non-financial companies and other counterparties	784	77.70	-78
TOTAL	**1,009**	**100.00**	**-101**

Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 98% of investments are made up of assets denominated in euro. The remaining part hedges the reserves of the insurance policies which lead to payments in foreign currency.

Financial derivative instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management.
Liquidity risk associated with positions in financial derivative instruments is primarily 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 both with the counterparty with which they were traded and with other market operators.
The table below shows the book values of the financial derivative instruments as at 31 December 2010.

(millions of euro)

Type of underlying	Interest rates		Equities, equity indices, commodities, exchange rates		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-148	-	4	-	-144
Effective management derivatives	-	-15	-	6	-	-9
TOTAL	**-**	**-163**	**-**	**10**	**-**	**-153**

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 Plc., 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 foreign-exchange positions.
Moreover, the Parent Company has defined an investment policy which sets out the objectives and limits of securities investments.

QUANTITATIVE INFORMATION

As at 31 December 2010, the investment portfolio of the vehicle Romulus included 1,485 million euro of financial instruments classified under loans to customers. Of these, 1,220 million euro consisted of loans to the vehicle Duomo and the remaining 265 million euro of securities. A part of these instruments with a nominal value of 165 million euro at 31 December 2010 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 143 million euro and their fair value came to 71 million euro at 31 December 2010, resulting in a benefit from reclassification of 72 million euro. The vehicle's assets also include cash and other assets amounting to 1 million euro.
In the paragraph concerning structured credit products, the 143 million euro in securities was allocated:

– for 3 million euro to the subprime segment;
– for 9 million euro to the “contagion” area (Multisector CDOs);
– for the remaining 131 million euro to the other structured credit products; an impairment loss of 4 million euro was recognised on one of these during 2010.

At the end of 2010, the vehicle Duomo's portfolio consisted of loans to Group banks (464 million euro to Intesa Sanpaolo and 96 million euro to Intesa Sanpaolo Bank Ireland) and loans to customers of 662 million euro. 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 Group and Group company capital adequacy is ensured by capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.

The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. Once the underlying strategy that the Group intends to pursue has been defined, resources are allocated to the various businesses in a process that identifies specific growth potential and ability to create value in order to allow profitability, capital soundness and liquidity targets to be met.

The concept of capital at risk 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 soundness through careful control of both regulatory constraints (Pillar 1) and operational constraints (Pillar 2). The latter are also assessed under stress conditions in order to ensure that the financial resources available are adequate to cover all risks, even in adverse conditions.

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. As part of the process of defining annual budget targets, a compatibility analysis is conducted at Group level and at the level of individual entities in the Group, on the basis of the expected performance of balance sheet and income statement aggregates.

Compliance with capital adequacy is obtained via various levers, such as pay-out policy, definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of loan policy on the basis of counterparty risk.

Compliance with the target levels of capitalisation is monitored during the year and on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets 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	**7,088**	**1**	**116**	**-117**	**7,088**	***441***
Ordinary shares	6,600	1	116	-117	6,600	438
Savings shares	488	-	-	-	488	3
Share premium reserve	**33,227**	**-**	**2**	**-2**	**33,227**	***125***
Reserves	**12,564**	**385**	**-41**	**-344**	**12,564**	***421***
Legal reserve	1,329	-	-	-	1,329	-
Extraordinary reserve	3,674	-	-	-	3,674	-
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	6,963	385	-41	-344	6,963	421
Other reserves	64	-	-	-	64	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-6**	**-4**	**-**	**-**	**-10**	**-**
Valuation reserves	**-1,045**	**-285**	**-17**	**302**	**-1,045**	***9***
Financial assets available for sale	-358	-283	-21	-	-662	2
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-490	-	2	-2	-490	-2
Foreign exchange differences	-249	-	-	-	-249	-1
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-	-
Share of valuation reserves connected with investments carried at equity	-300	-2	2	304	4	2
Legally-required revaluations	352	-	-	-	352	8
Parent Company's net income (loss) and minority interest	**2,776**	**198**	**-24**	**-174**	**2,776**	***71***
Shareholders' equity	**54,604**	**295**	**36**	**-335**	**54,600**	***1,067***

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 further 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 shows the adjustments required to obtain the figure represented in the financial statements.

B.2. Valuation reserves of financial assets available for sale: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		Total as at 31.12.2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	252	-1,312	191	-487	2	-22	-193	509	252	-1,312
2. Equities	486	-100	21	-11	-	-	-21	11	486	-100
3. Quotas of UCI	36	-19	12	-9	-	-	-12	9	36	-19
4. Loans	13	-14	-	-	-	-	-	-	13	-14
Total as at 31.12.2010 (*)	**787**	**-1,445**	**224**	**-507**	**2**	**-22**	**-226**	**529**	**787**	**-1,445**
Total as at 31.12.2009	**676**	**-812**	**240**	**-259**	**-**	**-30**	**-191**	**244**	**725**	**-857**

(*) This amount includes 4 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Approximately 74% of the negative reserve on equities is attributable to securities classified as level 1, while the remaining 26% is attributable to securities classified as level 3.

B.3. Valuation reserves of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**-468**	**318**	**20**	**-2**
2. Positive fair value differences	**368**	**294**	**27**	**1**
2.1 Fair value increases	130	262	22	-
2.2 Reversal to the income statement of negative reserves	57	21	1	-
- impairment	*8*	*8*	*1*	-
- disposal	*49*	*13*	-	-
2.3 Other changes	181	11	4	1
3. Negative fair value differences	**-960**	**-226**	**-30**	**-**
3.1 Fair value decreases	-881	-180	-14	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-53*	*-22*	*-7*	-
3.4 Other changes	-26	-24	-9	-
4. Closing amount (*)	**-1,060**	**386**	**17**	**-1**

(*) This amount includes 4 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	no.	2,755,769
Purchased	no.	10,432,358
Sold	no.	-9,048,870
End-of-year number	no.	4,139,257

Non-convertible savings shares:

Initial number	no.	106,466
Purchased	no.	1,707,702
Sold	no.	-1,515,914
End-of-year number	no.	298,254

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Scope of application of regulations

The “Banking Group” differs from the scope of consolidation for the purposes of the financial statements prepared in accordance with the IAS/IFRS. The differences essentially relate to:

– the line-by-line consolidation in the IAS/IFRS financial statements of non-banking, financial and instrumental companies (primarily the insurance segment) not included in the “Banking group”;
– the proportional consolidation in the “Banking Group” of the jointly controlled entities conducting banking, financial and instrumental business that are consolidated at equity in the financial statements.

Regulatory capital and capital ratios have been calculated on the basis of the new provisions (4th, 5th, 6th and 7th updates to Circular 263 of December 2006 and 13th update to Circular 155 of December 1991) issued by the Bank of Italy following the implementation of the amendments of Directives 2009/27, 2009/83 and 2009/111 (known as "CRD II - Capital Requirements Directive II"), which govern the capital requirements for banks and banking groups introduced by the New Basel Capital Accord (known as "Basel 2").
In detail, stricter criteria than under the previous rules are applied to redefine the notion of capital, that may be included in regulatory capital without limits, which limited to ordinary shares or shares that do not grant rights to minimum return, do not call for the compulsory payment of dividends, do not enjoy preference in the coverage of losses or enjoy a right to residual assets upon liquidation that is subordinate to that of all other shareholders and creditors. For the Intesa Sanpaolo Group, application of the new criteria results in the exclusion of the nominal value of preferred shares (including savings shares) from Tier 1 capital on the grounds that such shares do not meet the requirements (lack of advantages in liquidation and preferential remuneration mechanisms based on the nominal value of the instrument). Conversely, Tier 1 capital may still include the share premium reserve, even the part associated with savings shares, since the different preference in distribution of dividends and pre-emption in liquidation relate to share capital only.
The exclusion of preferred shares from Core Tier 1 capital resulted in a decrease in the latter of approximately 516 million euro.
The rules for innovative and non-innovative capital instruments call for:

– reinforcement of their capital quality in terms of the flexibility of payments and the ability to absorb losses;
– a rise in the overall limit on inclusion from the current 20% to 50% (with a specific limit of 15% for innovative instruments with incentives for early redemption or a contractual maturity and 35% for non-innovative instruments without incentives for early redemption). A new category has also been added, i.e. instruments compulsorily convertible into ordinary shares in the event of an emergency or at the Bank of Italy's request, which may be included up to 50%. The prudential provisions call for a transitional regime set out in the Directive (known as "grandfathering") for a 30-year period, which contemplates the gradual reduction of the eligibility of instruments included in regulatory capital prior to 31 December 2010 that do not meet the new eligibility requirements.

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 ordinary paid-in share capital, reserves, innovative and non-innovative capital instruments, grandfathered capital instruments, and 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”, makes 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 items related to loans, other negative elements, 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% of “items to be deducted”.

Each caption of Tier 1 and Tier 2 capital includes minority interests pertaining to the Banking group and to third parties.
The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:

– for financial assets available for sale, relatively 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. It should be noted that the Group has decided to apply the Regulation issued by the Bank of Italy on 18 May 2010 which allows for the effect of valuation reserves for available-for-sale (AFS) securities issued by the central governments of EU countries on regulatory capital to be neutralised;
– for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised;
– for income deriving from the tax redemption of goodwill, the net tax benefit is reduced by 50% for prudential purposes in the first year; the resulting negative prudential filter is reduced on a straight-line basis over the next eight years.

Deductions are made, in the manner described above, 50% from "Tier 1 capital before items to be deducted" and 50% from "Tier 2 capital before items to be deducted" on equity investments and – if eligible for inclusion in the issuers' regulatory capital – on innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.
With respect to the amount by which expected losses exceed impairment provisions made on portfolios subject to internal models and expected losses on capital instruments, the amounts of those expected losses are compared with the total impairment provisions for each class of assets in the regulatory portfolio.
50% of the sum of the amounts by which the expected losses exceed total impairment provisions for each class of assets is deducted from Tier 1 capital and the other 50% from Tier 2 capital.
Conversely, the sum of the amounts by which total impairment provisions exceed the expected losses for each class of assets is added to Tier 2 capital up to the limit of 0.6% of assets weighted for credit and/or counterparty risk.
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)
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2021	Eur	1,000,000,000	1,000
Intesa Preferred LLC III (*)	6.988%; from 12/07/2011: 3-month Euribor + 2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Eur	500,000,000	500
Intesa Sanpaolo (*)	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	1,250,000,000	1,250
Intesa Sanpaolo (*)	up to 24/9/2018 (excluded): 8.698%; thereafter 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 + 6.87%	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500,000,000	1,500
Total preference shares and innovative and non-innovative equity instruments (Tier I)								**4,500**

(*) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

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	08-May-2008	08-May-2018	NO	Eur	1,250,000,000	1,217
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	197
Banca CR Firenze	6-month Euribor + 0.95%	NO	05-Dec-2003	05-Dec-2013	NO	Eur	200,000,000	145
Centro Leasing Banca S.p.A.	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	27
Total hybrid instruments (Upper Tier II)								**1,706**
Centro Leasing Banca S.p.A.	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	63
Cassa di Risparmio della Spezia S.p.A.	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	3-month Euribor	NO	19-Jan-2004	18-Feb-2011	NO	Eur	23,000,000	5
Banca CR Firenze	6-month Euribor	NO	21-Jun-2004	28-Jul-2011	NO	Eur	40,000,000	8
Banca CR Firenze	6-month Euribor + 0.15%	NO	10-Apr-2006	22-May-2013	NO	Eur	85,000,000	51
Banca Intesa Beograd	6-month Euribor + 2.25%	NO	15-Jun-2006	15-Dec-2012	15-Jun-2011	Eur	60,000,000	24
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	106
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	01-Jul-2013	NO	Lit	200,000,000,000	44
Intesa Sanpaolo	8% for 1st coupon, 5% for 2nd coupon, 4% for 3rd coupon, thereafter 70% of 10-year swap rate	NO	09-Mar-1999	09-Mar-2014	NO	Lit	480,000,000,000	168
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	175
Intesa Sanpaolo	6.11% fixed rate; as of 23/02/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65,000,000	64
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	09-Apr-2001	09-Apr-2011	NO	Eur	125,478,000	25
Intesa Sanpaolo	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Eur	265,771,000	106
Intesa Sanpaolo	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Eur	126,413,000	49
Intesa Sanpaolo	3-month Euribor + 0.25%	YES	08-Feb-2006	08-Feb-2016	08-Feb-2011	Eur	1,500,000,000	1,462
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	Gpb	1,000,000,000	1,160
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	Gpb	250,000,000	290
Intesa Sanpaolo	5.375% fixed rate	NO	13-Dec-2002	13-Dec-2012	NO	Eur	300,000,000	120
Intesa Sanpaolo	up to 20/2/2013 (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	743
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	191
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	698
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	02-Mar-2005	02-Mar-2020	02-Mar-2015	Eur	500,000,000	497

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	up to 19/4/2011 (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	491
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	407
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	545,000,000	538
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	372
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	793
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,097,000,000	1,048
Intesa Sanpaolo	5.75% fixed rate; as of 28/5/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Eur	1,000,000,000	978
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,500,000	629
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,000,000	156
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,469
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	805,400,000	805
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	1,250,000,000	1,246
Intesa Sanpaolo	quarterly interests according to the formula: (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	479,050,000	479
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)								**16,043**
TOTAL								**17,749**

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)

	31.12.2010	31.12.2009
A. Tier 1 capital before the application of prudential filters	**33,981**	**32,170**
B. Tier 1 capital prudential filters	**-955**	**-932**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-955*	*-932*
C. Tier 1 before items to be deducted (A+B)	**33,026**	**31,238**
D. Items to be deducted from Tier 1	**1,851**	**1,033**
E. Total Tier 1 capital (C-D)	**31,175**	**30,205**
F. Tier 2 capital before the application of prudential filters	**18,315**	**16,599**
G. Tier 2 capital prudential filters	**-116**	**-94**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	*-116*	*-94*
H. Tier 2 before items to be deducted (F+G)	**18,199**	**16,505**
I. Items to be deducted from Tier 2	**1,851**	**1,033**
L. Total Tier 2 capital (H-I)	**16,348**	**15,472**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,721**	**2,923**
N. Regulatory capital (E+L-M)	**43,802**	**42,754**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**43,802**	**42,754**

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.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual 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 soundness: 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 preferred shares and, effective 31 December 2010, preferred savings and ordinary shares) and risk-weighted assets.

As for credit and counterparty risks, 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.
Following obtainment of authorisation from the Supervisory Authority, the Intesa Sanpaolo Group calculates capital requirements for credit risk and counterparty risk, respectively, according to the IRB approach for the Retail Mortgage segment (Residential mortgages to private individuals) on a scope consisting of the Parent Company and network banks (excluding Casse del Centro banks) effective 30 June 2010, and according to the advanced internal rating-based approach (AIRB) with regard to the regulatory trading portfolio "Exposures to corporates" for the Parent Company, network banks (including Casse del Centro banks), Banca Infrastrutture Innovazione e Sviluppo and Mediocredito, effective 31 December 2010. Leasint and Mediofactoring - effective 31 December 2008 - and Intesa Sanpaolo Bank Ireland P.l.c. - effective 31 March 2010 - use the foundation IRB approach (FIRB - Foundation Internal Rating Based) for the corporate segment pending authorisation of the use of the Advanced approach from the Supervisory Authority. Effective 31 December 2010, the Slovakian entity VUB also obtained authorisation of the FIRB approach for the corporate segment.
With respect to market risks, banks must comply with capital requirements 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 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 - Constant Proportion Portfolio Insurance - component). Effective the third quarter of 2009, the scope of validated risks has subsequently been extended to dividend derivatives and, with effect from June 2010, to the commodity risk for Banca IMI. Standardised approaches are used for the other types of risk. Counterparty risks is calculated independently of the portfolio of allocation according to the Current Exposure Method (CEM).

With regard to operational risks, the Group was authorised, effective from 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 (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was also authorised to extend the advanced approaches to a second set of companies that includes not only Setefi and PBZ Banka, but also several companies within the Corporate and Investment Banking Division and the banks of the Cassa di Risparmio di Firenze Group not included in the first set. The remaining companies, currently using the Standardised approach, will migrate progressively to the Advanced approaches starting from the end of 2011, based on the rollout plan presented to the Management Bodies and the Supervisory Authority.

B. Quantitative information

(millions of euro)

	Unweighted amounts		Weighted amounts/ requirements	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
A. RISK ASSETS				
A.1 Credit and counterparty risk	**544,764**	**540,605**	**289,172**	**316,258**
1. Standard methodology	270,698	344,625	135,773	165,206
2. Methodology based on internal ratings	268,494	191,735	147,866	148,331
2.1 Base	*27,798*	*191,735*	*22,589*	*148,331*
2.2 Advanced	*240,696*	-	*125,277*	-
3. Securitisations	5,572	4,245	5,533	2,721
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**23,134**	**25,301**
B.2 Market risk			**1,231**	**1,344**
1. Standard methodology			978	1,191
2. Internal models			202	96
3. Concentration risk			51	57
B.3 Operational risk			**2,174**	**2,249**
1. Base methodology			129	109
2. Standard methodology			422	794
3. Advanced methodology			1,623	1,346
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**34**	**38**
B.6 Total capital requirements			**26,573**	**28,932**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**332,158**	**361,648**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**9.4%**	**8.4%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			**13.2%**	**11.8%**

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;
- EurizonLife;
- EurizonTutela;
- Eurizon Vita;
- Fideuram Vita;
- Intesa Vita;
- Sud Polo Vita.

In accordance with ISVAP Regulation 18 of 12 March 2008 (the Insurers' Code), the company required to prepare the consolidated/aggregated financial statements due to unitary management as at 31 December 2010 is Intesa Vita, in its capacity as company that presents the greatest amount of total assets. However, a specific exception has been requested from ISVAP for 2010 to allow Eurizon Vita to prepare the consolidated financial statements due to unitary management. The request was granted by notice dated 22 December 2010. Accordingly, as at 31 December 2010 Eurizon Vita prepared the consolidated/aggregated financial statements due to unitary management, the scope of which extends to EurizonTutela and EurizonLife, which are 100% owned by Eurizon Vita, and Centrovita, Fideuram Vita, Intesa Vita and Sud Polo Vita, which are subject to unitary management in accordance with the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the consolidated/aggregate financial statements due to unitary management 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 adjusted solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, represented by 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 minimum 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 2010, Eurizon Vita showed a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 216%.

The Intesa Sanpaolo Group does not hold any investments in insurance companies subject to joint control.
Two insurance investments of a marginal amount in Slovakia and Croatia held through the subsidiaries Vseobecna Uverova Banka (VUB) and Privredna Banka Zagreb (PBZ) are also included.

SECTION 4 – THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	49,313
B. Capital requirements for banking elements	26,573
C. Solvency margins for insurance elements	2,229
D. Total capital requirements of the financial conglomerate (B+C)	**28,802**
E. Financial conglomerate surplus (defincit) (A-D)	**20,511**

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 2010 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate’s capital needs, by approximately 20,511 million euro.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

(millions of euro)

Companies	Date of the transaction (a)	Cost of the transaction	Equity stake % (b)	Net interest and other banking income (c)	Net income / loss for the year (d)	Net income / loss recorded as of acquisition date
1. Intesa Vita	30-Sept.-2010	706	50.00	786	63	10
2. Group branch - 50 branches	14 Jun.-2010	193	100.00	n.d.	n.d.	n.d.
3. IN.FRA - Investire nelle Infrastrutture	15-Dec.-2010	72	100.00	-	-	-

(a) Date of acquisition of control.

(b) Percentage of voting rights at the Ordinary Shareholders' Meeting.

(c) Net interest and other banking income (Caption 120 of the income statement) referred to full year 2010.

(d) Net income / loss recorded by the subsidiary for full year 2010.

(f) Net income / loss recorded after acquisition date and included in Gruppo Intesa's consolidated result.

In addition to business combinations governed by IFRS 3 and summarised above, several extraordinary intragroup transactions were carried out during the year, which had no 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 merger by incorporation of ZAO Banca Intesa Closed Joint Stock Company into KMB Bank, which changed its name to Banca Intesa Closed Joint Stock Company;
- the incorporation of Fideuram Vita by Eurizon Vita, the contribution by Eurizon Vita of the business line serving the Banca Fideuram and Sanpaolo Invest financial advisors' networks to the subsidiary Vita and the subsequent sale of its share in Fideuram Vita to Intesa Sanpaolo and Banca Fideuram;
- the contribution of a business line by Intesa Sanpaolo to Intesa Sanpaolo Servizi Transazionali, with the aim of subsequently transferring the Securities Services business to State Street;
- the contribution of a business line consisting of two private branches by Banca di Trento e Bolzano to Intesa Sanpaolo Private Banking and subsequent sale of the shares received to Intesa Sanpaolo;
- the sale of three branches based in the provinces of Brescia by Banca di Trento e Bolzano to Intesa Sanpaolo;
- the contribution by Banca di Trento e Bolzano of a business line consisting of ten branches based in the provinces of Belluno, Treviso and Verona to Cassa di Risparmio del Veneto and subsequent sale of the shares received to Intesa Sanpaolo;
- the sale of seven branches by Cassa di Risparmio del Veneto to Banca di Trento e Bolzano;
- the contribution of private branches of Cassa di Risparmio di Firenze to Intesa Sanpaolo Private Banking and subsequent sale of the shares received to Intesa Sanpaolo;
- the merger by incorporation of Casse del Centro into Cassa di Risparmio di Firenze;
- the merger by incorporation of Centro Leasing Rete into Centro Leasing;
- several reorganisation transactions internal to the CIB Group.

Annual changes in goodwill

(millions of euro)

	31.12.2010
Initial goodwill	**18,838**
Increases	**391**
- Goodwill recorded in the year	391
- Positive foreign exchange differences and other changes	-
Decreases	**-12**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes	-12
Final Goodwill	**19,217**

Avviamenti

(millions of euro)

Goodwill	31.12.2010	31.12.2009
Banca dei Territori	11,727	11,468
Corporate and Investment Banking	3,177	3,116
Public Finance	21	10
Eurizon Capital	1,411	1,411
Banca Fideuram	1,002	969
International Subsidiary Banks	1,879	1,864
Total	**19,217**	**18,838**

It should be noted that the portion of goodwill (531 million euro) related to the Securities Services business reversed following the sale transacted in 2010 was classified among Non-current assets held for sale and discontinued operations in the 2009 Financial statements.

1.2 Other information

Acquisition of Intesa Vita

On 20 March 2009, the Board of Directors of Alleanza Assicurazioni (Generali Group) approved the exercise of the put option granted by Banca Intesa on 50% of Intesa Vita. After this transaction, Intesa Sanpaolo committed to acquire 100% of Intesa Vita, once the necessary authorisations had been obtained from the Italian Antitrust Authority. It should be recalled that Intesa Sanpaolo already held an interest (50%) in Intesa Vita, which was classified as an investment in the associate.
The agreements reached at the time between Generali and Banca Intesa called for the strike price of the option to be equal to the embedded value at the exercise date. Accordingly, the price was set at 706.4 million euro on the basis of an expert's report. The sum was paid to Alleanza in July 2009.
Following the approval of the transaction by said Authority in September 2010, the closing of the transaction took place on 30 September. Since that date, Intesa Vita is consolidated on a line-by-line basis solely for balance sheet figures. Line-by-line consolidation for income statement figures began in the fourth quarter of 2010 (only 50% of the subsidiary’s profit for the period ended 30 September was consolidated).
From an accounting standpoint, the acquisition transaction was accounted for in accordance with IFRS 3. That Standard requires, among other things, that in step-based acquisition transactions the interest previously held by the acquirer be recognised at its control acquisition date fair value and any difference be recognised in the income statement.
Accordingly, the fair value of the interest previously held by Intesa Vita was estimated through a specific appraisal conducted by an external advisor. The analysis performed allowed the appraiser to conclude that the fair value of the entirety of Intesa Vita's capital at the acquisition date could reasonably be determined to fall within a range of values from 2,000 to 2,050 million euro. Intesa Sanpaolo used the average value of the range (2,025 million euro) as the company's acquisition date fair value. That amount (considered at 50%), when compared with the carrying amount of the previously held interest (757.5 million euro), resulted in the recognition of a capital gain of 255 million euro.
In accordance with IFRS 3, the subsidiary's book assets and liabilities, including any intangible assets, were recognised at fair value. In detail, the value of the insurance portfolio in force at the acquisition date was recognised to be approximately 233 million euro, a figure which was certified by an independent expert. This measurement also entailed the recognition of the corresponding deferred tax liabilities (74 million euro).
Goodwill was thus determined as the difference between the fair value of the interest acquired at 30 September 2010 (equal to the price paid) plus the fair value of the previously held interest, as determined by an independent expert (a total of 1,719 million

euro), and the fair value of the subsidiary's assets and liabilities (1,532 million euro). Accordingly, the goodwill recognised came to 187 million euro.
Thus, the application of IFRS 3 to the accounting treatment of the acquisition of control of Intesa Vita resulted in the recognition of 233 million euro in intangible assets, 74 million euro in corresponding deferred tax liabilities and 187 million euro in goodwill. In addition, a capital gain of 255 million euro was recognised in the income statement. Lastly, the amortisation for the year of intangible assets (4 million euro, gross of the tax effect) was recognised in the 2010 income statement.

Book value and fair value of assets and liabilities acquired

(millions of euro)

Assets/Liabilities	Intesa Vita	
	Book value	Fair value
Assets		
Financial assets	28,222	28,222
Due from banks	63	63
Loans to customers	1	1
Investments in associates and companies subject to joint control	-	-
Property and equipment	-	233
Intangible assets	596	187
Goodwill	381	357
Other assets	-	-
Total Assets	**29,263**	**29,063**
Liabilities		
Due to banks	31	31
Due to customers	201	201
Securities issued	-	-
Financial liabilities	2,886	2,886
Technical reserves	23,903	23,903
Other liabilities and allowances for risks	338	323
Shareholders' equity	-	-
Minority interests	1,904	1,719
Total Liabilities and Shareholders' Equity	**29,263**	**29,063**

Acquisition of the business line consisting of 50 branches
On 14 June 2010, Intesa Sanpaolo and Banca Monte dei Paschi di Siena finalised the sale of 50 branches (primarily located in the provinces of Siena, Grosseto, Arezzo and Lucca) of Banca Monte dei Paschi di Siena to Cassa di Risparmio di Firenze at the provisional price of 200 million euro. The contractual agreements called for that amount to be adjusted in connection with the performance of the transferred branches' loans and deposits. The adjustments in question were determined to amount to approximately 7 million euro to the benefit of Banca CR Firenze, resulting in a definitive price of 193 million euro.
When preparing the 2010 Financial statements, the difference between the definitive price and book value (the latter of which is nil given the acquired business line's balanced financial position) was allocated in its entirety to goodwill, considering the lack of significant capital gains to which to allocate part of the acquisition price.
At the effective date of the transaction, the business line had 732 million euro in direct customer deposits, 1,387 million euro in indirect customer deposits and approximately 1,399 million euro in loans to customers.

Book value and fair value of assets and liabilities acquired

(millions of euro)

Assets/Liabilities	Group branch - 50 branches	
	Book value	Fair value
Assets		
Financial assets	17	17
Due from banks	-	-
Loans to customers	1,399	1,399
Investments in associates and	-	-
companies subject to joint control	1	1
Property and equipment	-	-
Intangible assets	-	193
Goodwill	18	18
Other assets	-	-
Total Assets	**1,435**	**1,628**
Liabilities		
Due to banks	637	637
Due to customers	722	722
Securities issued	10	10
Financial liabilities	15	15
Other liabilities and allowances for risks	51	51
Shareholders' equity	-	193
Minority interests	-	-
Total Liabilities and Shareholders' Equity	**1,435**	**1,628**

Acquisition of IN.FRA – Investire nelle Infrastrutture

On 22 June 2010, Intesa Sanpaolo's Management Board approved a transaction aimed at reinforcing the Group's investments in the motorway infrastructure segment, to be undertaken by acquiring an investment in the associate Concessionaria Autostrada Brescia-Verona-Vicenza-Padova (Serenissima). That transaction, carried out in December 2010, was executed indirectly by acquiring a majority interest (84.7%) in the vehicle IN.FRA – Investire nelle Infrastrutture, which owns 25.6% of Serenissima; that interest is in addition to the interest previously held by the Group in Serenissima (6%) through the subsidiary Equiter. A put option on the residual interest in IN.FRA (15.3%) was contracted with the minority shareholder.

The total investment was 71 million euro and resulted in the recognition of goodwill of 11 million euro.

Book value and fair value of assets and liabilities acquired

(millions of euro)

Assets/Liabilities	IN.FRA	
	Book value	Fair value
Assets		
Financial assets	2	2
Due from banks	-	-
Loans to customers	-	-
Investments in associates and	267	267
companies subject to joint control	-	-
Property and equipment	-	-
Intangible assets	11	11
Goodwill	15	15
Other assets	-	-
Total Assets	**295**	**295**
Liabilities		
Due to banks	136	136
Due to customers	-	-
Securities issued	-	-
Financial liabilities	-	-
Other liabilities and allowances for risks	2	2
Shareholders' equity	72	72
Minority interests	85	85
Total Liabilities and Shareholders' Equity	**295**	**295**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

After year-end, on 28 February 2011, ISP obtained control of Banco Emiliano Romagnolo, a mono-branch bank based in Bologna currently under extraordinary administration.

The transaction, which was carried out with the approval of the Bank of Italy, entailed the reduction of the bank's share capital by an amount equal to the losses incurred, with a concurrent 26 million euro share capital increase, including share premium of 14 million euro, currently entirely subscribed by ISP. Pending the term for any exercise of the option rights by the other shareholders, ISP owns 52% of the bank's share capital.

At the end of October 2010, the direct and indirect customer deposits of Banco Emiliano Romagnolo totalled approximately 235 million euro.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

In 2007 the Management Board 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, and then amended those Regulations in 2008. 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 the IAS 24 in force at the time, 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.

In February 2008, the Management Board and the Supervisory Board have decided to extend, as a form of self-regulation, application of the rules governing transactions with related parties beyond the scope of application considered in regulations of reference, so as to include Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated on registered shares only). 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 art. 71 bis of Consob 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 may draw on the assistance 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 art. 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 art. 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 art. 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases the contract or the act must be approved by the Parent Company. As provided for by Law 262/2005 and Legislative Decree 303/2006, the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).
The abovementioned provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as art. 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may 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 art. 2391.
On 12 March 2010, Consob adopted, through resolution 17221, the "Regulations governing transactions with related parties". In implementation of that resolution, in November the Management Board and the Supervisory Board, after obtaining the Control Committee's favourable opinion, adopted the "Group regulations on the management of transactions with related parties of Intesa Sanpaolo", which set out the criteria and principles for identifying related parties, assessing and approving transactions, and subsequently providing information concerning transactions undertaken by the Parent Company and subsidiaries to Corporate bodies and to the market.
That new Regulations have been fully applied since 1 January 2011, with the concurrent abrogation of its predecessor, which was in force through 31 December 2010.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2010 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)

	Supervisory Board/ External Auditors (1)		Management Board/ CdA (2)		Other managers (3)		TOTAL as at 31.12.2010	
	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid	Compensation to be paid	Compensation paid
Short-term benefits (4)	14	11	44	36	63	37	121	84
Post-retirement benefits (5)	-	-	-	-	3	3	3	3
Other long-term benefits (6)	-	-	-	-	-	-	-	-
Employee termination indemnities (7)	-	-	-	-	5	3	5	3
Stock option plans (8)	-	-	-	-	-	-	-	-
Total remuneration paid to Key managers	**14**	**11**	**44**	**36**	**71**	**43**	**129**	**90**

(1) Includes 244 members.
(2) Includes 675 members.
(3) Includes 86 members.
(4) 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.
(5) Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to legislation and company regulations.
(6) Includes estimate of allocations for length of service awards for employees.
(7) Includes fees paid for early retirement incentive.
(8) Includes cost for stock option plans determined on the basis of IFRS 2 and charged to the consolidated financial statements.

For detailed information concerning remuneration policies, including the information required by Consob Communication No. 11012984 of 24 February 2011, refer to the separate file "Report on Corporate Governance and Ownership Structures".

The compensation paid to Supervisory and Management Board Members, General Managers and Key Managers of the Parent Company Intesa Sanpaolo is presented in detail below as provided for by art. 78 of Consob 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	dto 1/1/10 to 31/12/10	31 December 2010	1,200			
	Member Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			
	Chairman Nomination Committee	from 1/1/10 to 31/12/10	31 December 2010				
	Chairman Strategy Committee	from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees			20			
Antoine BERNHEIM	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	67			
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	50			
	Member Strategy Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees						
Rodolfo ZICH	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	67			
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	50			
	Member Nomination Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Member Strategy Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees			6			
Mario BERTOLISSI	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Supervisory Board	from 30/04/10 to 31/12/10	31 December 2010	133			
	Member Supervisory Board	from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Strategy Committee	from 1/5/10 to 31/12/10	31 December 2010				
	Member Nomination Committee	from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees			14			
Elsa FORNERO	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairwoman Supervisory Board	from 30/04/10 to 31/12/10	31 December 2010	133			
	Member Supervisory Board	from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Strategy Committee	from 1/5/10 to 31/12/10	31 December 2010				
	Member Nomination Committee	from 1/5/10 to 31/12/10	31 December2010				
	Attendance fees			14			
Carlo BAREL DI SANT'ALBANO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	- (a)			
	Member Strategy Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees			- (a)			
Rosalba CASIRAGHI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			80
	Member Control Committee	from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees			138			
Marco CIABATTONI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	50			20
	Member Financial Statements Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees			12			
Giovanni COSTA	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	50			
	Member Strategy Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees			4			
Franco DALLA SEGA	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			20
	Secretary Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			
	Attendance fees			-			
Gianluca FERRERO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			
	Member Financial Statements Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Member Strategy Committee	from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees			20			
Angelo FERRO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 30/04/10	30 April 2010	50			43
	Member Nomination Committee	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees			2			
Pietro GARIBALDI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 1/1/10 to 31/12/10	31 December 2010	150			
	Member Control Committee	from 1/1/10 to 31/12/10	31 December 2010				
	Member Nomination Committee	from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees			146			

(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)
Giulio LUBATTI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			68
	Chairman Control Committee		from 1/1/10 to 31/12/10	31 December 2010	50			
	Member Control Committee		from 1/1/10 to 31/12/10	31 December 2010				
	Member Remuneration Committee	(3)	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees				140			
Giuseppe MAZZARELLO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 30/04/10	30 April 2010	50			
	Member Nomination Committee		from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees				2			
Eugenio PAVARANI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 30/04/10	30 April 2010	50			115
	Chairman Financial Statements Committee		from 1/1/10 to 30/04/10	30 April 2010	17			
	Member Financial Statements Committee		from 1/1/10 to 30/04/10	30 April 2010				
	Member Remuneration Committee	(3)	from 1/1/10 to 30/04/10	30 April 2010				
	Attendance fees				12			
Gianluca PONZELLINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			64
	Chairman Remuneration Committee	(3)	from 1/1/10 to 31/12/10	31 December 2010				
	Member Remuneration Committee	(3)	from 1/1/10 to 31/12/10	31 December 2010				
	Member Control Committee		from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees				146			
Gian Guido SACCHI MORSIANI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			
	Member Financial Statements Committee		from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees				32			
Ferdinando TARGETTI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			
	Member Financial Statements Committee		from 1/1/10 to 30/04/10	30 April 2010				
	Member Strategy Committee		from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				18			
Livio TORIO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			137
	Member Control Committee		from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees				136			
Riccardo VARALDO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/10 to 31/12/10	31 December 2010	150			
	Member Nomination Committee		from 1/1/10 to 31/12/10	31 December 2010				
	Attendance fees				8			
Luigi Arturo BIANCHI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			21
	Member Financial Statements Committee		from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				20			
Jean-Paul FITOUSSI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Financial Statements Committee		from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				14			
Marco MANGIAGALLI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Remuneration Committee	(3)	from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				16			
Gianni MARCHESINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Financial Statements Committee		from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				20			
Fabio PASQUINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			
	Member Remuneration Committee	(3)	from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				16			
Marco SPADACINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 30/04/10 to 31/12/10	31 December 2010	100			
	Chairman Financial Statements Committee		from 1/5/10 to 31/12/10	31 December 2010	33			
	Member Financial Statements Committee		from 1/5/10 to 31/12/10	31 December 2010				
	Attendance fees				20			

(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)**
Enrico SALZA	**INTESA SANPAOLO S.p.a.**						
	Chairman Management Board	from 1/1/10 to 7/05/10	7 May 2010	414			
	Member Management Board	from 1/1/10 to 7/05/10	7 May 2010	52			
Andrea BELTRATTI	**INTESA SANPAOLO S.p.a.**						
	Chairman Management Board	from 7/5/10 to 31/12/10	31 December 2010	786			
	Member Management Board	from 7/5/10 to 31/12/10	31 December 2010	98			24
Orazio ROSSI	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Management Board	from 1/1/10 to 7/05/10	7 May 2010	69			
	Member Management Board	from 1/1/10 to 7/05/10	7 May 2010	52			311
Giovanni COSTA	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Management Board	from 7/5/10 to 31/12/10	31 December 2010	131			
	Member Management Board/Executive member	from 7/5/10 to 31/12/10	31 December 2010	98			
Marcello SALA	**INTESA SANPAOLO S.p.a.**						
	Deputy Chairman Management Board	from 7/5/10 to 31/12/10	31 December 2010	130			
	Member Management Board/Executive member (4)	from 1/1/10 to 31/12/10	31 December 2010	236			67
Corrado PASSERA	**INTESA SANPAOLO S.p.a.**						
	Managing Director and Chief Executive Officer	from 1/1/10 to 31/12/10	31 December 2010	350			
	Member Management Board	from 1/1/10 to 31/12/10	31 December 2010	150			
	General Manager	from 1/1/10 to 31/12/10	31 December 2010	1,500	311	1,500	
Aureliano BENEDETTI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 31/12/10	31 December 2010	150			691
Elio Cosimo CATANIA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 31/12/10	31 December 2010	150			
Giuseppe FONTANA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 7/05/10	07 May 2010	52			
Gian Luigi GARRINO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 7/05/10	07 May 2010	52			51
Virgilio MARRONE	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 7/05/10	07 May 2010	52			
Emilio OTTOLENGHI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board/Executive member	from 1/1/10 to 31/12/10	31 December 2010	248			227
Giovanni PERISSINOTTO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 1/1/10 to 7/05/10	07 May 2010	52			
Paolo CAMPAIOLI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board/Executive member	from 7/5/10 to 31/12/10	31 December 2010	196			45
Roberto FIRPO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board/Executive member	from 7/5/10 to 31/12/10	31 December 2010	196			76
Francesco MICHELI	**INTESA SANPAOLO S.p.a.**						
	General Manager	from 1/1/10 to 9/02/10	9 February 2010	161	8		3,125 (b)
Gaetano MICCICHE'	**INTESA SANPAOLO S.p.a.**						
	General Manager	from 9/2/10 to 31/12/10	31 December 2010	1,190	55	1,200	(c)
Marco MORELLI	**INTESA SANPAOLO S.p.a.**						
	General Manager Deputy to the CEO	from 15/3/10 to 31/12/10	31 December 2010	1,005	51	990	(d)
Other Key managers				8,120	469	8,400	(e)

(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 S.p.A. subsidiary companies.

(3) Until 30 April 2010 no attendance fee was paid for the office of Member of the Remuneration Committee.

(4) Compensation for the office of Member of the Management Board includes additional compensation of 86 thousand euro for the assignment granted by the Management Board for the development of the Bank's and the Group's International Relations and Internationalisation Projects.

(a) 50 thousand euro for the office of Member of the Supervisory Board and 2 thousand euro, as attendance fees, for the office of Member of the Strategy Committee. Both amounts have been entirely reversed to EXOR S.p.A..

(b) Notice and termination indemnities.
The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 84 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 102 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(d) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 31 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(e) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 418 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

The tables below provide the evolution and details of the stock option plans relative to Key Managers. Please note that as at 31 December 2010 there were no stock option plans for Supervisory and Management Board Members and General Managers of the Parent Company.

	Number of shares	Average strike price (in euro)	Market price (in euro)
Rights existing as at 31 December 2009	3,426,500	3.951	3.165 (a)
Adjustments for changes in the scope of reference and company operations (b)	-	-	-
Rights exercised in 2010	-	-	-
Rights expired (c)	-	-	-
Rights annulled in 2010 (d)	-	-	-
Rights assigned in 2010	-	-	-
Rights existing as at 31 December 2010	3,426,500	-	2.042 (e)
Of which: exercisable as at 31 December 2010	-	-	

(a) Official price as at 30 December 2009.

(b) The scope of reference was updated based on changes in the organisational structure and responsibilities in 2010.

(c) Rights no longer exercisable following expiry of exercise period.

(d) Rights no longer exercisable following termination of employment.

(e) Official price as at 30 December 2010.

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2010	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012 (*)	3,426,500	-	April 2012

(*) Can be exercised based on pre-set time windows

Equity investments of Supervisory and Management Board Members

The table below indicates the equity investments 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 set forth by art. 79 of Issuers' Regulation 11971.

Surname and name	Equity investment	Number of shares held at the end of 2009	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2010
Bernheim Antoine [a]	Intesa Sanpaolo ord.	398,533	-	-	nd
Campaioli Paolo [b]	Intesa Sanpaolo ord.	15,000	-	-	15,000
Ferro Angelo [a]	Intesa Sanpaolo ord.	180,830	-	-	nd
Ferro Angelo [a]	Intesa Sanpaolo rnc.	4,277	-	-	nd
Ferro Angelo [c] [a]	Intesa Sanpaolo rnc.	1,925	-	-	nd
Firpo Roberto [b]	Intesa Sanpaolo ord.	791	-	-	791
Fontana Giuseppe [c] [d]	Intesa Sanpaolo ord.	2,000	-	-	nd
Fornero Elsa [e]	Intesa Sanpaolo ord.	5,000	-	-	5,000
Mangiagalli Marco [e]	Intesa Sanpaolo ord.	3,720	-	-	3,720
Micchichè Gaetano [f]	Intesa Sanpaolo ord.	150,587	-	-	150,587
Micheli Francesco [g]	Intesa Sanpaolo ord.	2,100,124	-	-	nd
Morelli Marco [h]	Intesa Sanpaolo ord.	-	292,000	-	292,000
Ottolenghi Emilio	Intesa Sanpaolo ord.	1,032,285	-	1,032,285	-
Ottolenghi Emilio [c]	Intesa Sanpaolo ord.	12,460	-	-	12,460
Ottolenghi Emilio [i]	Intesa Sanpaolo ord.	14,528,072	1,032,285	-	15,560,357
Pasquini Fabio [e]	Intesa Sanpaolo ord.	7,000	-	-	7,000
Passera Corrado	Intesa Sanpaolo ord.	6,426,499	-	-	6,426,499
Rossi Orazio [d]	Intesa Sanpaolo ord.	163,827	-	-	nd
Sacchi Morsiani Gian Guido	Intesa Sanpaolo ord.	700,164	-	-	700,164
Salza Enrico [d]	Intesa Sanpaolo ord.	7,787	-	-	nd
Salza Enrico [c] [d]	Intesa Sanpaolo ord.	10,123	-	-	nd
Salza Enrico [i] [d]	Intesa Sanpaolo ord.	23,850	-	-	nd
Other Key managers [l]	Intesa Sanpaolo ord.	1,102,419	-	8,000	1,209,419
	Intesa Sanpaolo rnc.	125,000	-	-	125,000

[a] In service until 30 April 2010

[b] In service as of 7 May 2010; the initial amounts refer to the start date of the term of office

[c] In the name of the spouse.

[d] In service until 7 May 2010

[e] In service as of 30 April 2010; the initial amounts refer to the start date of the term of office

[f] In service as of 9 February 2010; the initial amounts refer to the start date of the term of office

[g] In service until 9 February 2010

[h] In service as of 15 March 2010; the initial amounts refer to the start date of the term of office

[i] Indirectly held

[l] Of which 22,246 shares as at 31.12.2009 and 12,245 shares as at 31.12.2010 in the name of relatives. Period start and 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 2010, 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 were also to be disclosed to the market pursuant to art. 71 bis of Consob Regulation 11971/99, abrogated effective 1 December 2010 by Consob resolution 17221 of 12.03.2010 adopting "Regulations governing transactions with related parties", as amended by resolution no. 17389 of 23 June 2010).

With respect to the entry into force of the Regulations, a specific transitional regime with two deadlines has been planned to allow companies to bring their internal procedures into line with such new provisions. The transparency regime entered into force on 1 December 2010, whereas the remaining provisions entered into force on 1 January 2011. During the first month in which the new transparency rules were in effect (December 2010), there were no transactions that may be qualified as of more significant importance and that would have resulted in the obligation to publish a market disclosure document.

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 or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level.

Receivable and payable balances with related parties as at 31 December 2010 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.

	31.12.2010	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	10,443	1.8
Total other assets	138	0.9
Total financial liabilities	3,852	1.2
Total other liabilities	72	0.0

	31.12.2010	
	Amount (millions of euro)	**Impact** (%)
Total interest income	143	0.8
Total interest expense	-16	0.2
Total fee and commission income	58	0.9
Total fee and commission expense	-2	0.2
Total operating costs	-61	0.7

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, with the exception of 6.5 million euro related to associates and companies subject to joint control. 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, 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. The balances presented in the tables of this section take account of the new scope of related parties, including in particular the elimination of Intesa Vita (previously considered an associate), which had become a subsidiary consolidated on a line-by-line basis as at 31.12.2010, resulting in the elimination of dealings with the company for the purposes of this disclosure.

(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	-	-	-	-	-	6	-	-	9	-	-	1
Companies subject to joint control	10	-	21	-	-	76	-	-	13	-	9	15
Associates	30	-	188	-	7	2,168	-	51	187	26	-	1,194
Key Managers and control bodies	-	-	-	-	-	3	-	-	7	-	-	1
Other related parties	1	-	-	-	-	108	-	-	380	-	-	16
Total	**41**	**-**	**209**	**-**	**7**	**2,361**	**-**	**51**	**596**	**26**	**9**	**1,227**
Shareholders (*)	2,002	1,010	403	-	208	4,202	138	766	1,360	1,053	63	931

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

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The Group's most significant associates are Telco, Autostrada BS-VR-VI-PD (Serenissima), the NH Hoteles Group, Bank of Qingdao, Alitalia - Compagnia Aerea Italiana, Penghua Fund Management, SIA-SSB, RCS Mediagroup, Nuovo Trasporto Viaggiatori and Autostrade Lombarde.
The joint ventures of the period include Allfunds Bank SA.
A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2010 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 managers, entities controlled by or related to the latter.

Particularly significant transactions

There were no particularly significant transactions with related parties in the year.
However, some transactions finalised in 2010 by the Parent Company or subsidiaries with related parties are reported below. In this regard, please note that, as per 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.
As part of a project aimed at rationalising the Group's bancassurance activities that is to result, based on specialisation by distribution network, in a single company serving the Group's banking networks and a life-insurance company serving the financial advisors of Banca Fideuram, the Supervisory Authorities approved the incorporation of Compagnia Fideuram Vita in March 2010. Effective 1 May, the business line dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group, valued at 495.3 million euro, was transferred by Eurizon Vita to Fideuram Vita. The sale of the new Compagnia Fideuram Vita by Eurizon Vita to the Parent Company (80.01% of share capital) and Banca Fideuram (19.99%) was closed on 29 July for a price, equal to embedded value, of 400 million and 100 million euro, respectively. At the end of September, Intesa Sanpaolo completed the acquisition of total control of Intesa Vita (by acquiring a 50% interest from Alleanza Toro for consideration of 706.4 million euro) and Centrovita (by acquiring a 49% interest for consideration of 66.7 million euro).
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 period undertaken with bank 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.
Among the Group's most significant dealings with associates during the period, loans were granted to Telco, Sagat, NH Hoteles SA, NH Italia, Alitalia – Compagnia Aerea Italiana, Bank of Qingdao Co, Infragruppo, Autostrada Pedemontana Lombarda, Autostrade Lombarde, Società di Progetto Autostrada diretta Brescia-Milano, Prelios Group (formerly Pirelli & C. Real Estate), Pirelli & C, Euromilano, RCS Mediagroup, Termomeccanica Group, Banca Impresa Lazio, FILA Fabbrica Italiana Lapis ed Affini (factoring), Nuovo Trasporto Viaggiatori (project financing), GCL Holdings (subscription of convertible preferred equity certificates) and RCN Finanziaria (convertible loan) and other minor associates. All transactions were carried out at market interest rates. Share capital increases were subscribed with respect to Autostrada Pedemontana Lombarda, Autostrade Lombarde, GCL Holdings Sarl, NH Italia and other minor associates. The other initiatives completed in 2010 include the contribution of the Bank's equity investment (approximately 2.6%) in Grande Jolly to NH Italia S.r.l. against a 13.6 million euro capital increase of NH Italia (after the capital increase the equity investment rose to 44.5%) and the revision of the servicing agreement entered into with Italfondiario governing the management of part of Intesa Sanpaolo Group's doubtful loans.
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 respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), on 22 June 2010, Intesa Sanpaolo and Crédit Agricole finalised the terms and conditions underlying the agreement disclosed on 18 February 2010, providing for the sale by Intesa Sanpaolo to the Crédit Agricole Group of the entire investment held through the subsidiary Cassa di Risparmio di Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy against a total consideration of approximately 740 million euro (subject to a purchase price adjustment mechanism). Consistency thereof with market conditions is supported by the fairness opinion expressed by an independent expert.
On 25 October 2010, Intesa Sanpaolo, Assicurazioni Generali and other parties signed a shareholders' agreement regarding Prelios S.p.A. shares (the name taken by Pirelli & C. Real Estate S.p.A. upon the closing of the spin-off of the operations of Pirelli & C. Real Estate from the Pirelli Group's other businesses) equal to approximately 21.3% of the share capital of Prelios. The interest held by Intesa Sanpaolo amounts to 0.91%.
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 has been allocated among restructured loans.

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 upon 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.

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, exercisable after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 euro.

B. QUANTITATIVE INFORMATION

Intesa Sanpaolo

Stock option plans in 2010

	Number of shares	Average strike price (euro)	Market price (euro)
Rights existing as at 31 December 2009	23,674,000	3.951	3.165 (a)
Rights exercised in 2010	-	-	-
Rights expired (b)	-	-	-
Rights annulled in 2010 (c)	-623,000	-	-
Rights assigned in 2010	-	-	-
Rights existing as at 31 December 2010	23,051,000	3.951	2.042 (d)
Of which: exercisable as at 31 December 2010	-	-	-

(a) Official price as at 30 December 2009.

(b) Rights no longer exercisable following expiry of exercise period.

(c) Rights no longer exercisable following termination of employment.

(d) Official price as at 30 December 2010.

Details on strike price and residual maturity

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2010	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012 (*)	23,051,000	-	April 2012

(*) Can be exercised based on pre-set time windows

Part L – Segment reporting

Breakdown by business area: income statement 2010 [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	5,892	1,977	280	1,665	1	120	-167	9,768
Dividends and profits (losses) on investments carried at equity	-	-29	-	15	15	-2	30	29
Net fee and commission income	3,451	968	69	576	261	539	-193	5,671
Profits (Losses) on trading	88	557	-9	96	7	21	-296	464
Income from insurance business	572	-	-	-	-	76	6	654
Other operating income (expenses)	29	39	2	-50	4	1	14	39
Operating income	**10,032**	**3,512**	**342**	**2,302**	**288**	**755**	**-606**	**16,625**
Personnel expenses	-3,398	-391	-38	-584	-53	-138	-969	-5,571
Other administrative expenses	-2,581	-490	-45	-447	-78	-194	657	-3,178
Adjustments to property, equipment and intangible assets	-9	-7	-	-138	-1	-16	-434	-605
Operating costs	**-5,988**	**-888**	**-83**	**-1,169**	**-132**	**-348**	**-746**	**-9,354**
Operating margin	**4,044**	**2,624**	**259**	**1,133**	**156**	**407**	**-1,352**	**7,271**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-104	-15	-	2	-4	-71	-166	-358
Net adjustments to loans	-2,080	-423	-44	-589	-	-	28	-3,108
Net impairment losses on other assets	-17	-19	-	-19	-	-11	-29	-95
Profits (Losses) on investments held to maturity and on other investments	-	12	-	5	-	-	256	273
Income (Loss) before tax from continuing operations	**1,843**	**2,179**	**215**	**532**	**152**	**325**	**-1,263**	**3,983**
Taxes on income from continuing operations	-752	-754	-74	-153	-35	-85	452	-1,401
Merger and restructuring-related charges (net of tax)	-50	-7	-	-1	-	-4	-10	-72
Effect of purchase price allocation (net of tax)	-258	-2	-3	-	-38	-98	1	-398
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	694	694
Minority interests	-	-	-	-	-2	-	-99	-101
Net income	**783**	**1,416**	**138**	**378**	**77**	**138**	**-225**	**2,705**

Breakdown by business area: balance sheet as at 31 December 2010[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	184,012	111,108	40,508	30,926	153	2,812	9,716	379,235
Direct customer deposits	217,118	95,150	5,757	30,259	12	12,255	66,640	427,191
of which: due to customers	*140,835*	*33,451*	*4,211*	*27,457*	*12*	*6,308*	*8,790*	*221,064*
securities issued	*57,324*	*60,426*	*1,546*	*2,802*	-	-	*57,885*	*179,983*
financial liabilities designated at fair value through profit and loss	*18,959*	*1,273*	-	-	-	*5,947*	*-35*	*26,144*

[a] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

[b] Netting between segments is reported by the Corporate Centre.

Distribution by geographical area: income statement 2010 [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	7,322	2,071	375	9,768
Dividends and profits (losses) on investments carried at equity	1	1	27	29
Net fee and commission income	4,512	1,016	143	5,671
Profits (Losses) on trading	383	20	61	464
Income from insurance business	583	71	-	654
Other operating income (expenses)	22	13	4	39
Operating income	**12,823**	**3,192**	**610**	**16,625**
Personnel expenses	-4,876	-587	-108	-5,571
Other administrative expenses	-2,595	-526	-57	-3,178
Adjustments to property, equipment and intangible assets	-457	-138	-10	-605
Operating costs	**-7,928**	**-1,251**	**-175**	**-9,354**
Operating margin	**4,895**	**1,941**	**435**	**7,271**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-366	-	8	-358
Net adjustments to loans	-2,555	-577	24	-3,108
Net impairment losses on other assets	-63	-30	-2	-95
Profits (Losses) on investments held to maturity and on other investments	266	5	2	273
Income (Loss) before tax from continuing operations	**2,177**	**1,339**	**467**	**3,983**
Taxes on income from continuing operations	-1,033	-307	-61	-1,401
Merger and restructuring-related charges (net of tax)	-72	-	-	-72
Effect of purchase price allocation (net of tax)	-364	-34	-	-398
Income (Loss) after tax from discontinued operations	694	-	-	694
Minority interests	-41	-45	-15	-101
Net income	**1,361**	**953**	**391**	**2,705**

Distribution by geographical area: balance sheet as at 31 December 2010 [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	327,768	40,633	10,834	379,235
Direct customer deposits	332,735	69,050	25,406	427,191
of which: due to customers	*177,449*	*37,156*	*6,458*	*221,063*
securities issued	*142,318*	*18,718*	*18,948*	*179,984*
financial liabilities designated at fair value through profit and loss	*12,968*	*13,176*	-	*26,144*

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, to which reference should be made for comparison with the previous year.

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

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 2010.

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 2010 was performed in the context of the reorganisation of corporate processes and ICT 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 – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems .

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2010:
   - 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.

15 March 2011

Corrado Passera
Managing Director and CEO

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

Independent Auditors' Report on the Consolidated financial statements

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 Articles 14 and 16 of Legislative Decree n. 39 of January 27, 2010
(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, 2010, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity, the statement of 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 performed 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.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 26, 2010.

3. In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group at December 31, 2010 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 Report on Corporate Governance and Ownership Structures in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on operations and the information reported in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structures, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 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) presented in the Report on Corporate Governance and Ownership Structures, are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as of December 31, 2010.

Turin, Italy, March 29, 2011

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

Attachments to the Consolidated Financial Statements

Consolidated reconciliation statements

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2009 and the restated consolidated balance sheet as at 31 December 2009

Reconciliation between the consolidated income statement as at 31 December 2009 and the consolidated income statement for 2009 adjusted in compliance with IFRS 5

Reconciliation between the consolidated income statement for 2009 and the restated consolidated income statement for 2009

Reconciliation between the consolidated income statement for 2010 and the restated consolidated income statement for 2010

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2010

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2009 and the restated consolidated balance sheet as at 31 December 2009

(millions of euro)

Assets		31.12.2009 Published (*)	Other changes in the scope of consolidation		31.12.2009 Restated
			Banca Monte Paschi di Siena Branches (a)	Intesa Vita (b)	
10.	Cash and cash equivalents	8,412	2	-	8,414
20.	Financial assets held for trading	69,825	15	1,060	70,900
30.	Financial assets designated at fair value through profit and loss	21,965	-	10,017	31,982
40.	Financial assets available for sale	35,895	-	15,048	50,943
50.	Investments held to maturity	4,561	-	-	4,561
60.	Due from banks	43,242	-	18	43,260
70.	Loans to customers	374,033	1,404	17	375,454
80.	Hedging derivatives	7,008	-	-	7,008
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	-	69
100.	Investments in associates and companies subject to joint control	3,059	-	-725	2,334
110.	Technical insurance reserves reassured with third parties	38	-	-	38
120.	Property and equipment	5,291	1	1	5,293
130.	Intangible assets	25,789	-	116	25,905
	of which				
	- goodwill	*18,838*	-	*116*	*18,954*
140.	Tax assets	7,320	-	54	7,374
	a) current	*2,072*	-	*25*	*2,097*
	b) deferred	*5,248*	-	*29*	*5,277*
150.	Non-current assets held for sale and discontinued operations	6,552	-	-	6,552
160.	Other assets	11,785	100	372	12,257
Total Assets		**624,844**	**1,522**	**25,978**	**652,344**

(*) Historic data originally published in the 2009 Annual Report.

(a) Acquisition by Banca CR Firenze of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010.

(b) Acquisition of Intesa Vita, net of the deconsolidation of the investment carried at equity as at 31 December 2009.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2009 Published (*)	Other changes in the scope of consolidation: Banca Monte Paschi di Siena Branches (a)	Other changes in the scope of consolidation: Intesa Vita (b)	31.12.2009 Restated
10.	Due to banks	43,369	642	32	44,043
20.	Due to customers	210,814	724	217	211,755
30.	Securities issued	185,243	10	-	185,253
40.	Financial liabilities held for trading	42,249	15	-	42,264
50.	Financial liabilities designated at fair value through profit and loss	25,887	-	2,264	28,151
60.	Hedging derivatives	5,179	-	-	5,179
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,513	-	-	1,513
80.	Tax liabilities	2,965	-	260	3,225
	a) current	*841*	-	*34*	*875*
	b) deferred	*2,124*	-	*226*	*2,350*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	9,723	-	-	9,723
100.	Other liabilities	15,755	128	152	16,035
110.	Employee termination indemnities	1,374	3	-	1,377
120.	Allowances for risks and charges	3,420	-	2	3,422
	a) post employment benefits	*512*	-	-	*512*
	b) other allowances	*2,908*	-	*2*	*2,910*
130.	Technical reserves	23,582	-	22,444	46,026
140.	Valuation reserves	-430	-	-	-430
150.	Redeemable shares	-	-	-	-
160.	Equity instruments	-	-	-	-
170.	Reserves	10,565	-	-	10,565
180.	Share premium reserve	33,102	-	-	33,102
190.	Share capital	6,647	-	-	6,647
200.	Treasury shares (-)	-8	-	-	-8
210.	Minority interests (+/-)	1,090	-	607	1,697
220.	Net income (loss)	2,805	-	-	2,805
Total Liabilities and Shareholders' Equity		**624,844**	**1,522**	**25,978**	**652,344**

(*) Historic data originally published in the 2009 Annual Report.

(a) Acquisition by Banca CR Firenze of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010.

(b) Acquisition of Intesa Vita, net of the deconsolidation of the investment carried at equity as at 31 December 2009.

Reconciliation between the consolidated income statement as at 31 December 2009 and the consolidated income statement for 2009 adjusted in compliance with IFRS 5

Since there have been no changes to the allocation of the purchase price of business combinations and no classifications under Income (Loss) after tax from discontinued operations, the consolidated income statement as at 31 December 2009 has not been adjusted in compliance with IFRS 3 and IFRS 5.

Reconciliation between the consolidated income statement for 2009 and the restated consolidated income statement for 2009

(millions of euro)

	2009 Published (*)	Changes in the scope of consolidation			2009 Restated
		Banca Monte Paschi di Siena Branches (a)	Intesa Vita (b)	Total change in the scope of consolida-tion	
10. Interest and similar income	19,607	41	520	561	20,168
20. Interest and similar expense	-8,370	-2	-10	-12	-8,382
30. Interest margin	**11,237**	**39**	**510**	**549**	**11,786**
40. Fee and commission income	6,141	23	28	51	6,192
50. Fee and commission expense	-1,186	-	-28	-28	-1,214
60. Net fee and commission income	**4,955**	**23**	**-**	**23**	**4,978**
70. Dividend and similar income	479	-	12	12	491
80. Profits (Losses) on trading	855	-	155	155	1,010
90. Fair value adjustments in hedge accounting	-41	-	-	-	-41
100. Profits (Losses) on disposal or repurchase of	316	-	19	19	335
a) loans	*-16*	-	-	-	*-16*
b) financial assets available for sale	*320*	-	*19*	*19*	*339*
c) investments held to maturity	-	-	-	-	-
d) financial liabilities	*12*	-	-	-	*12*
110. Profits (Losses) on financial assets and liabilities designated at fair value	81	-	434	434	515
120. Net interest and other banking income	**17,882**	**62**	**1,130**	**1,192**	**19,074**
130. Net losses / recoveries on impairment	-3,711	-	-52	-52	-3,763
a) loans	*-3,448*	-	-	-	*-3,448*
b) financial assets available for sale	*-256*	-	*-52*	*-52*	*-308*
c) investments held to maturity	-	-	-	-	-
d) other financial activities	*-7*	-	-	-	*-7*
140. Net income from banking activities	**14,171**	**62**	**1,078**	**1,140**	**15,311**
150. Net insurance premiums	6,579	-	3,577	3,577	10,156
160. Other net insurance income (expense)	-7,251	-	-4,508	-4,508	-11,759
170. Net income from banking and insurance activities	**13,499**	**62**	**147**	**209**	**13,708**
180. Administrative expenses	-9,615	-31	-32	-63	-9,678
a) personnel expenses	*-5,788*	*-17*	*-14*	*-31*	*-5,819*
b) other administrative expenses	*-3,827*	*-14*	*-18*	*-32*	*-3,859*
190. Net provisions for risks and charges	-330	-	-1	-1	-331
200. Net adjustments to / recoveries on property and equipment	-413	-	-1	-1	-414
210. Net adjustments to / recoveries on intangible assets	-771	-	-	-	-771
220. Other operating expenses (income)	519	-	6	6	525
230. Operating expenses	**-10,610**	**-31**	**-28**	**-59**	**-10,669**
240. Profits (Losses) on investments in associates and companies subject to joint control	561	-	-41	-41	520
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-
270. Profits (Losses) on disposal of investments	5	-	-	-	5
280. Income (Loss) before tax from continuing operations	**3,455**	**31**	**78**	**109**	**3,564**
290. Taxes on income from continuing operations	-686	-11	-37	-48	-734
300. Income (Loss) after tax from continuing operations	**2,769**	**20**	**41**	**61**	**2,830**
310. Income (Loss) after tax from discontinued operations	169	-	-	-	169
320. Net income (loss)	**2,938**	**20**	**41**	**61**	**2,999**
330. Minority interests	-133	-20	-41	-61	-194
340. Parent Company's net income (loss)	**2,805**	**-**	**-**	**-**	**2,805**

(*) Historic data originally published in the 2009 Annual Report.

(a) 2009 results of 50 branches of Banca Monte dei Paschi di Siena acquired by the Cassa di Risparmio di Firenze Group in June 2010.

(b) 2009 results of Intesa Vita, net of the deconsolidation of the investment carried at equity.

Reconciliation between the consolidated income statement for 2010 and the restated consolidated income statement for 2010

(in millions of euro)

	2010	Changes in the scope of consolidation			2010 restated
		Banca Monte Paschi di Siena Branches (a)	Intesa Vita (b)	Total change in the scope of consolida-tion	
10. Interest and similar income	17,500	14	428	442	17,942
20. Interest and similar expense	-6,879	-1	-7	-8	-6,887
30. Interest margin	**10,621**	**13**	**421**	**434**	**11,055**
40. Fee and commission income	6,494	12	29	41	6,535
50. Fee and commission expense	-1,317	-	-23	-23	-1,340
60. Net fee and commission income	**5,177**	**12**	**6**	**18**	**5,195**
70. Dividend and similar income	490	-	9	9	499
80. Profits (Losses) on trading	243	-	-25	-25	218
90. Fair value adjustments in hedge accounting	-182	-	-	-	-182
100. Profits (Losses) on disposal or repurchase of	229	-	91	91	320
a) loans	*-11*	-	-	-	*-11*
b) financial assets available for sale	*235*	-	*91*	*91*	*326*
c) investments held to maturity	-	-	-	-	-
d) financial liabilities	*5*	-	-	-	*5*
110. Profits (Losses) on financial assets and liabilities designated at fair value	179	-	209	209	388
120. Net interest and other banking income	**16,757**	**25**	**711**	**736**	**17,493**
130. Net losses / recoveries on impairment	-2,896	-	-23	-23	-2,919
a) loans	*-2,818*	-	-	-	*-2,818*
b) financial assets available for sale	*-79*	-	*-23*	*-23*	*-102*
c) investments held to maturity	-	-	-	-	-
d) other financial activities	*1*	-	-	-	*1*
140. Net income from banking activities	**13,861**	**25**	**688**	**713**	**14,574**
150. Net insurance premiums	8,483	-	2,768	2,768	11,251
160. Other net insurance income (expense)	-9,050	-	-3,345	-3,345	-12,395
170. Net income from banking and insurance activities	**13,294**	**25**	**111**	**136**	**13,430**
180. Administrative expenses	-9,347	-15	-26	-41	-9,388
a) personnel expenses	*-5,665*	*-8*	*-11*	*-19*	*-5,684*
b) other administrative expenses	*-3,682*	*-7*	*-15*	*-22*	*-3,704*
190. Net provisions for risks and charges	-401	-	-	-	-401
200. Net adjustments to / recoveries on property and equipment	-400	-	-	-	-400
210. Net adjustments to / recoveries on intangible assets	-738	-	-	-	-738
220. Other operating expenses (income)	528	-	1	1	529
230. Operating expenses	**-10,358**	**-15**	**-25**	**-40**	**-10,398**
240. Profits (Losses) on investments in associates and companies subject to joint control	293	-	-24	-24	269
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-
270. Profits (Losses) on disposal of investments	8	-	-	-	8
280. Income (Loss) before tax from continuing operations	**3,237**	**10**	**62**	**72**	**3,309**
290. Taxes on income from continuing operations	-1,155	-4	-38	-42	-1,197
300. Income (Loss) after tax from continuing operations	**2,082**	**6**	**24**	**30**	**2,112**
310. Income (Loss) after tax from discontinued operations	694	-	-	-	694
320. Net income (loss)	**2,776**	**6**	**24**	**30**	**2,806**
330. Minority interests	-71	-6	-24	-30	-101
340. Parent Company's net income (loss)	**2,705**	**-**	**-**	**-**	**2,705**

[a] 2010 results prior to the acquisition by the Intesa Sanpaolo Group.

[b] Intesa Vita results prior to the acquisition, net of the deconsolidation of the investment carried at equity.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2010	31.12.2009 restated	Changes amount	%
10.	Cash and cash equivalents	4,758	8,414	-3,656	-43.5
20.	Financial assets held for trading	71,899	70,900	999	1.4
30.	Financial assets designated at fair value through profit and loss	35,549	31,982	3,567	11.2
40.	Financial assets available for sale	61,612	50,943	10,669	20.9
50.	Investments held to maturity	3,839	4,561	-722	-15.8
60.	Due from banks	42,737	43,260	-523	-1.2
70.	Loans to customers	379,235	375,454	3,781	1.0
80.	Hedging derivatives	7,377	7,008	369	5.3
90.	Fair value change of financial assets in hedged portfolios (+/-)	92	69	23	33.3
100.	Investments in associates and companies subject to joint control	2,716	2,334	382	16.4
110.	Technical insurance reserves reassured with third parties	27	38	-11	-28.9
120.	Property and equipment	5,455	5,293	162	3.1
130.	Intangible assets	25,990	25,905	85	0.3
	of which				
	- goodwill	*19,217*	*18,954*	*263*	*1.4*
140.	Tax assets	8,733	7,374	1,359	18.4
	a) current	*2,759*	*2,097*	*662*	*31.6*
	b) deferred	*5,974*	*5,277*	*697*	*13.2*
150.	Non-current assets held for sale and discontinued operations	75	6,552	-6,477	-98.9
160.	Other assets	8,663	12,257	-3,594	-29.3
Total Assets		**658,757**	**652,344**	**6,413**	**1.0**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2010	31.12.2009	Changes	
			restated	amount	%
10.	Due to banks	52,860	44,043	8,817	20.0
20.	Due to customers	221,064	211,755	9,309	4.4
30.	Securities issued	179,983	185,253	-5,270	-2.8
40.	Financial liabilities held for trading	45,045	42,264	2,781	6.6
50.	Financial liabilities designated at fair value through profit and loss	26,144	28,151	-2,007	-7.1
60.	Hedging derivatives	5,884	5,179	705	13.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,412	1,513	-101	-6.7
80.	Tax liabilities	3,269	3,225	44	1.4
	a) current	*661*	*875*	*-214*	*-24.5*
	b) deferred	*2,608*	*2,350*	*258*	*11.0*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
100.	Other liabilities	13,658	16,035	-2,377	-14.8
110.	Employee termination indemnities	1,370	1,377	-7	-0.5
120.	Allowances for risks and charges	3,280	3,422	-142	-4.1
	a) post employment benefits	*374*	*512*	*-138*	*-27.0*
	b) other allowances	*2,906*	*2,910*	*-4*	*-0.1*
130.	Technical reserves	50,188	46,026	4,162	9.0
140.	Valuation reserves	-1,054	-430	624	
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	12,143	10,565	1,578	14.9
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-10	-8	2	25.0
210.	Minority interests (+/-)	1,067	1,697	-630	-37.1
220.	Net income (loss)	2,705	2,805	-100	-3.6
Total Liabilities and Shareholders' Equity		**658,757**	**652,344**	**6,413**	**1.0**

Restated consolidated income statement

(millions of euro)

	2010 restated	2009 restated	Changes amount	Changes %
10. Interest and similar income	17,942	20,168	-2,226	-11.0
20. Interest and similar expense	-6,887	-8,382	-1,495	-17.8
30. Interest margin	**11,055**	**11,786**	**-731**	**-6.2**
40. Fee and commission income	6,535	6,192	343	5.5
50. Fee and commission expense	-1,340	-1,214	126	10.4
60. Net fee and commission income	**5,195**	**4,978**	**217**	**4.4**
70. Dividend and similar income	499	491	8	1.6
80. Profits (Losses) on trading	218	1,010	-792	-78.4
90. Fair value adjustments in hedge accounting	-182	-41	141	
100. Profits (Losses) on disposal or repurchase of	320	335	-15	-4.5
a) loans	*-11*	*-16*	*-5*	*-31.3*
b) financial assets available for sale	*326*	*339*	*-13*	*-3.8*
c) investments held to maturity	-	-	-	
d) financial liabilities	*5*	*12*	*-7*	*-58.3*
110. Profits (Losses) on financial assets and liabilities designated at fair value	388	515	-127	-24.7
120. Net interest and other banking income	**17,493**	**19,074**	**-1,581**	**-8.3**
130. Net losses / recoveries on impairment	-2,919	-3,763	-844	-22.4
a) loans	*-2,818*	*-3,448*	*-630*	*-18.3*
b) financial assets available for sale	*-102*	*-308*	*-206*	*-66.9*
c) investments held to maturity	-	-	-	
d) other financial activities	*1*	*-7*	*8*	
140. Net income from banking activities	**14,574**	**15,311**	**-737**	**-4.8**
150. Net insurance premiums	11,251	10,156	1,095	10.8
160. Other net insurance income (expense)	-12,395	-11,759	636	5.4
170. Net income from banking and insurance activities	**13,430**	**13,708**	**-278**	**-2.0**
180. Administrative expenses	-9,388	-9,678	-290	-3.0
a) personnel expenses	*-5,684*	*-5,819*	*-135*	*-2.3*
b) other administrative expenses	*-3,704*	*-3,859*	*-155*	*-4.0*
190. Net provisions for risks and charges	-401	-331	70	21.1
200. Net adjustments to / recoveries on property and equipment	-400	-414	-14	-3.4
210. Net adjustments to / recoveries on intangible assets	-738	-771	-33	-4.3
220. Other operating expenses (income)	529	525	4	0.8
230. Operating expenses	**-10,398**	**-10,669**	**-271**	**-2.5**
240. Profits (Losses) on investments in associates and companies subject to joint control	269	520	-251	-48.3
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	8	5	3	60.0
280. Income (Loss) before tax from continuing operations	**3,309**	**3,564**	**-255**	**-7.2**
290. Taxes on income from continuing operations	-1,197	-734	463	**63.1**
300. Income (Loss) after tax from continuing operations	**2,112**	**2,830**	**-718**	**-25.4**
310. Income (Loss) after tax from discontinued operations	694	169	525	
320. Net income (loss)	**2,806**	**2,999**	**-193**	**-6.4**
330. Minority interests	-101	-194	-93	-47.9
340. Parent Company's net income (loss)	**2,705**	**2,805**	**-100**	**-3.6**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	31.12.2010	31.12.2009
Financial assets held for trading		71,899	70,900
	Caption 20 - Financial assets held for trading	*71,899*	*70,900*
Financial assets designated at fair value through profit and loss		35,549	31,982
	Caption 30 - Financial assets designated at fair value through profit and loss	*35,549*	*31,982*
Financial assets available for sale		61,612	50,943
	Caption 40 - Financial assets available for sale	*61,612*	*50,943*
Investments held to maturity		3,839	4,561
	Caption 50 - Investments held to maturity	*3,839*	*4,561*
Due from banks		42,737	43,260
	Caption 60 - Due from banks	*42,737*	*43,260*
Loans to customers		379,235	375,454
	Caption 70 - Loans to customers	*379,235*	*375,454*
Investments in associates and companies subject to joint control		2,716	2,334
	Caption 100 - Investments in associates and companies subject to joint control	*2,716*	*2,334*
Property, equipment and intangible assets		31,445	31,198
	Caption 120 - Property and equipment	*5,455*	*5,293*
	+ Caption 130 - Intangible assets	*25,990*	*25,905*
Tax assets		8,733	7,374
	Caption 140 - Tax assets	*8,733*	*7,374*
Non-current assets held for sale and discontinued operations		75	6,552
	Caption 150 - Non-current assets held for sale and discontinued operations	*75*	*6,552*
Other assets		20,917	27,786
	Caption 10 - Cash and cash equivalents	*4,758*	*8,414*
	+ Caption 160 - Other assets	*8,663*	*12,257*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*27*	*38*
	+ Caption 80 - Hedging derivatives	*7,377*	*7,008*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*92*	*69*
Total Assets	**Total Assets**	**658,757**	**652,344**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2010	31.12.2009
Due to banks		52,860	44,043
	Caption 10 - Due to banks	*52,860*	*44,043*
Due to customers and securities issued		401,047	397,008
	Caption 20 - Due to customers	*221,064*	*211,755*
	+ Caption 30 - Securities issued	*179,983*	*185,253*
Financial liabilities held for trading		45,045	42,264
	Caption 40 - Financial liabilities held for trading	*45,045*	*42,264*
Financial liabilities designated at fair value through profit and loss		26,144	28,151
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*26,144*	*28,151*
Tax liabilities		3,269	3,225
	Caption 80 - Tax liabilities	*3,269*	*3,225*
Liabilities associated with non-current assets held for sale and discontinued operations		-	9,723
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*9,723*
Other liabilities		20,954	22,727
	Caption 100 - Other liabilities	*13,658*	*16,035*
	+ Caption 60 - Hedging derivatives	*5,884*	*5,179*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,412*	*1,513*
Technical reserves		50,188	46,026
	Caption 130 - Technical reserves	*50,188*	*46,026*
Allowances for specific purpose		4,650	4,799
	Caption 110 - Employee termination indemnities	*1,370*	*1,377*
	Caption 120 - Allowances for risks and charges	*3,280*	*3,422*
Share capital		6,647	6,647
	Caption 190 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		45,235	43,659
	Caption 170 - Reserves	*12,143*	*10,565*
	Caption 180 - Share premium reserve	*33,102*	*33,102*
	– Caption 200 - Treasury shares	*-10*	*-8*
Valuation reserves		-1,054	-430
	Caption 140 - Valuation reserves	*-1,054*	*-430*
Minority interests		1,067	1,697
	Caption 210 - Minority interests	*1,067*	*1,697*
Net income (loss)		2,705	2,805
	Caption 220 - Net income (loss)	*2,705*	*2,805*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**658,757**	**652,344**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	2010	2009
Net interest income		9,768	10,525
	Caption 30 - Interest margin	*11,055*	*11,786*
	- Caption 30 (partial) - Contribution of insurance business	*-1,627*	*-1,482*
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*84*	*93*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*76*	*-*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*283*	*250*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-84*	*-91*
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	*-19*	*-31*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		29	5
	Caption 70 - Dividend and similar income	*499*	*491*
	- Caption 70 (partial) - Contribution of insurance business	*-96*	*-97*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-378*	*-370*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*4*	*-19*
Net fee and commission income		5,671	5,364
	Caption 60 - Net fee and commission income	*5,195*	*4,978*
	- Caption 60 (partial) - Contribution of insurance business	*491*	*399*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-15*	*-13*
Profits (Losses) on trading		464	1,122
	Caption 80 - Profits (Losses) on trading	*218*	*1,010*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-182*	*-41*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*326*	*339*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*5*	*12*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*388*	*515*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*378*	*370*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-76*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-593*	*-1,087*
	- Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	*-*	*4*
Income from insurance business		654	589
	+ Caption 150 - Net insurance premiums	*11,251*	*10,156*
	+ Caption 160 - Other net insurance income (expense)	*-12,395*	*-11,759*
	+ Caption 30 (partial) - Contribution of insurance business	*1,627*	*1,482*
	+ Caption 60 (partial) - Contribution of insurance business	*-491*	*-399*
	+ Caption 70 (partial) - Contribution of insurance business	*96*	*97*
	+ Caption 80 (partial) - Contribution of insurance business	*593*	*1,087*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-27*	*-75*
Other operating income (expenses)		39	54
	Caption 220 - Other operating income (expenses)	*529*	*525*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-32*	*-2*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*-458*	*-469*
Operating income		**16,625**	**17,659**
Personnel expenses		-5,571	-5,618
	Caption 180 a) - Personnel expenses	*-5,684*	*-5,819*
	- Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*29*	*110*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*84*	*91*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	*-*	*-*
Other administrative expenses		-3,178	-3,224
	Caption 180 b) - Other administrative expenses	*-3,704*	*-3,859*
	- Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*45*	*151*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*15*	*13*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*458*	*469*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*8*	*2*
Adjustments to property, equipment and intangible assets		-605	-681
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-400*	*-414*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-738*	*-771*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)	*8*	*19*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*18*	*22*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*23*	*4*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-*	*18*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*-22*	*-24*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*506*	*465*
Operating costs		**-9,354**	**-9,523**
Operating margin		**7,271**	**8,136**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	2010	2009
Operating margin		**7,271**	**8,136**
Goodwill impairment		-	-
	Caption 260 - Goodwill impairment	-	-
	- Caption 260 -(partial) - Goodwill impairment	-	-
Net provisions for risks and charges		-358	-298
	Caption 190 - Net provisions for risks and charges	*-401*	*-331*
	- 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)	*19*	*31*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*24*	-
Net adjustments to loans		-3,108	-3,706
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-11*	*-16*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-2,818*	*-3,448*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-283*	*-250*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*1*	*-7*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*3*	*15*
Net impairment losses on other assets		-95	-240
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-102*	*-308*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	-	-
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*27*	*75*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-23*	*-4*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	-	*-18*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	*3*	*15*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Profits (Losses) on investments held to maturity and on other investments		273	545
	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	*269*	*520*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-4*	*19*
	+ Caption 270 - Profits (Losses) on disposal of investments	*8*	*5*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	-	*1*
Income (Loss) before tax from continuing operations		**3,983**	**4,437**
Taxes on income from continuing operations		-1,401	-1,008
	Caption 290 - Taxes on income from continuing operations	*-1,197*	*-734*
	- Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*-31*	*-105*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*-173*	*-169*
Merger and restructuring related charges (net of taxes)		-72	-214
	+ Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*-29*	*-110*
	+ Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*-45*	*-151*
	+ Caption 190 (partial) - Net provisions for risks and charges (Merger and restructuring related charges)	-	*-2*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - merger and restructuring related charges)	*-8*	*-19*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*-18*	*-22*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	*-3*	*-15*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*31*	*105*
Effect of purchase cost allocation (net of tax)		-398	-385
	+ Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*-84*	*-93*
	+ Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	-	*-4*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*22*	*24*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*-506*	*-465*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*-3*	*-15*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	-	*-1*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*173*	*169*
Income (Loss) after tax from discontinued operations		694	169
	Caption 310 - Income (Loss) after tax from discontinued operations	*694*	*169*
	+ Caption 260 - (partial) - Goodwill impairment	-	-
Minority interests		-101	-194
	Caption 330 - Minority interests	*-101*	*-194*
Net income	**Caption 340 - Parent Company's net income (loss)**	**2,705**	**2,805**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2010

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 - 550/2010 - 574/2010(*) - 662/2010(*)
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010
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 - 243/2010
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 - 574/201(
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010(**)
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 (***)
IAS 2	Inventories	1126/2008 - 70/2009
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010
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 mod. 243/2010
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	1126/2008 mod. 1260/2008 - 70/2009
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010(**)
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 - 243/2010
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 - 243/2010
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 - 243/2010
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 9	Reassessment of Embedded Derivatives	1126/2008 mod. 495/2009 - 1171/2009 - 243/2010
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008
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 - 633/2010(**)
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010(*)
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 30 June 2010.

(**) Companies apply this regulation at the latest as of the first financial year starting after 31 December 2010.

(***) Companies apply this regulation at the latest as of the first financial year starting after 31 January 2011.