1.1. CREDIT RISK

The Group's credit strategies, powers and granting and monitoring rules are aimed at:
- coordinating actions to achieve sustainable growth of lending operations consistent with the risk appetite and value creation;
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- privileging lending of a commercial nature or intended for new investments in production, provided that they are sustainable, over those of a merely financial nature;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of performance deterioration in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

The areas of competence for lending activities are determined according to a strict segregation of functions and responsibilities. In the specific area of Group credit management, the Chief Financial Officer – in accordance with the strategic guidelines and risk management policies set out by the Management Board and approved by the Supervisory Board – coordinates the process of setting credit strategies (in which the other Chiefs and Business Units also participate) and updating them as required over time, the Chief Lending Officer is responsible for material credit decisions, supervises non performing loans and the recovery of doubtful positions and sets credit granting and monitoring rules, the Chief Risk Officer ensures that the Group's risk exposures are measured and monitored, formulates proposals for assigning the authority to grant and monitor loans and constantly monitors risk and credit quality performance, and the Chief Operating Officer provides specialist support for defining credit processes to ensure cost synergies are achieved and the service offered is of excellent quality.
Approval limits attributed to the credit approval functions of the Parent Company and of subsidiaries are defined in terms of total Bank/Banking Group exposure to each counterparty/economic group, with a case-by-case approach and require the attribution of an internal rating to each counterparty at the time of granting and monitoring and the periodic update of the rating at least once a year. The rating and any credit risk mitigation factors influence the determination of the credit approval competence of each delegated body, which is formulated to ensure its credit risk equivalence in terms of capital absorbed. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.
In early 2009, as part of the ongoing redefinition of the areas of competence for credit activities, the Group introduced regulations concerning the "Group's loan granting and monitoring process".
The principles that guide this process are:
- an adversarial approach between the functions involved aimed at ensuring that risk is prudentially assessed and managed; in this regard, decision-making bodies are ensured an "independent" contribution for assessing risk provided by specific technical units to support them as they formulate analyses and assessments of creditworthiness;
- simplicity and efficiency; the formulation of loan granting and monitoring processes ensures promptness in responding to customers, while at the same time ensuring that risk assessment is effective by modulating it according to the scope and complexity of the risk in question and assessing it on the basis of predetermined parameters;
- the various levels of monitoring of compliance of applicable rules;
- the measurement of the efficiency and efficacy of the process.

In the credit-granting phase, coordination mechanisms, with which Intesa Sanpaolo exercises its direction, governance and support of the Group, have been introduced:
- the system of Credit Strategies, Powers and Granting and Monitoring rules (that will gradually replace Credit Policies) governing the ways in which credit risk to customers is assumed;
- "Credit-granting limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The Chief Risk Officer sets risk management guidelines and policies in accordance with the Company's strategies and objectives. This Officer's responsibilities include contributing to the setting out of the credit strategies by providing guidelines in relation to Expected Loss, Economic Capital and the acceptance thresholds; the measurement and control of the Group's exposure to the various types of risk and related reporting to Top Management; ensuring the monitoring of credit quality and the observance of credit-related guidelines and strategies through the continuous monitoring of risk and credit quality and the implementation of corrective actions by the Business Units; and establishing the powers in relation to the granting and management of loans and the criteria for classification as non-performing loans.
The Chief Risk Officer is also responsible, at Group level, for the definition and development of credit risk measurement methods, in order to ensure alignment with best practice.

These activities are conducted directly by the Risk Management Department, through the Credit Risk Management Unit, and by the Credit Quality Monitoring Unit, for both the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the abovementioned departments and units of the Parent Company.
With reference to concentration risk, limits are periodically defined for single counterparties and for significant industrial and geographical aggregates. Post loan origination interventions are aimed at acting on the risk profile of the entire portfolio, using all the opportunities present on the secondary debt market, in view of an active management of business assets.

Management, measurement and control systems
Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public Sector Entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
Multiple rating models are applied to the Corporate segment:
– models differentiated according to the market in question (domestic or international) and size bracket of the company are applied to most businesses;
– there are two specific models for specialised lending, one for real-estate development initiatives and the other for project-finance transactions.
In general terms, the structure of these models requires the integration of multiple modules:
– a quantitative module that processes financial and behavioural data;
– a qualitative module that requires the manager to intervene by completing a questionnaire;
– an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the qualitative and quantitative rating.
The allocation of the rating is generally spread across the branches, except for certain types of counterparty (mainly large groups and complex conglomerates), which are centralised in specialist units within the Parent Company's Head Office Department and require expert assessments.
The models applied to the Retail portfolio are as follows:
– for the Small Business segment, a new Group counterparty rating model was adopted effective late 2008, based on similar criteria to the Corporate model, namely highly decentralised and where the quantitative-objective elements are supplemented by qualitative-subjective elements;
– for the Mortgage segment, the Group's new model, also adopted in late 2008, processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
– a class of models is gradually being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.
The system is rounded out by the Sovereign model for sovereign counterparties and country risk, local authority models, which are currently being refined, the bank model, the second generation of which involves a division into mature and emerging countries is now at the release stage, and experience-based models for the non-bank financial institutions class.

The next generation LGD model was released on an integrated basis in 2009. The approach adopted for determining LGD is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group. The LGD is estimated based on the losses measured for a population of closed defaults over a particular period of observation based on nine years of experience using econometric multivariate analysis models. Plans call for the development of an internal model for determining EAD (Exposure at Default).

The use of the IRB Foundation approach was approved for the calculation of requirements for Corporate rating models effective from the reference date of 31 December 2008. For information on the plan to extend the IRB approach to other rating models and the LGD models, refer to the paragraph concerning the Basel 2 Project.

As mentioned briefly above, ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in the entire loan granting and monitoring process: they are used to set Credit Strategies and Loan granting and monitoring rules as well as to determine decision-making powers.

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

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

The input of information provided by all Group banks and companies that operate on the target IT system into the Credit Control Panel was completed in 2009. The information content stored in this instrument represents the primary source employed to control and monitor the loan portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses.
The project to revamp the contents and layout of the Credit Information Portal was also completed. This application, which draws data from the Credit Control Panel, allows the peripheral units of the Banca dei Territori and Corporate and Investment Banking Divisions access via the Company intranet down to the Area level to a wide range of standard reports on the loan portfolio and the loan processes within their respective spheres of competence, updated on a monthly basis. This instrument is scheduled for gradual release in early 2010.
The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each customer/economic group both towards the Group as a whole and towards individual Group companies.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
Counterparty risk is bilateral in nature inasmuch as the mark-to-market of the transaction may be either positive or negative depending on the performance of the market factors that underlie the financial instrument.
The Group employs counterparty risk mitigation techniques that are recognised for regulatory purposes. These techniques are discussed in the paragraph concerning techniques for the mitigation of credit risk.
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group applies the mark-to-market approach (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
This approach estimates the loan equivalent as the sum of the positive mark-to-market and potential future exposure, where the latter is calculated by applying certain percent rates to the notional amounts of the transactions.
In the Group, from a management standpoint, counterparty risk, defined as the maximum acceptable loss on a certain counterparty, is quantified by determining lines of credit to account for replacement risk associated with OTC derivatives and SFT transactions. Capital use is monitored through the joint application of mark-to-market and add-on values (internally prepared estimates of the maximum potential exposure on the transactions in question).

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro-economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model also allows identification of the undesired concentration effects and extent and content of actions:
– aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks", to loans subject to country risk and to loans to financial institutions;
– aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Techniques for the mitigation of credit risk
The techniques for the mitigation of credit risk are the elements that contribute to reducing the loss given default. They include guarantees, facility types and covenants.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual loan, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the loan granting and monitoring process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, especially medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other

forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and the credit quality of the guarantor.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets fall below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
The value of the asset is appraised frequently, including with the aid of statistical methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
The monitoring process also involves identifying properties that, where the property value decreases significantly and/or the exposure is a major amount, require an appraisal by an independent expert based on a value not exceeding the market value.
For all other guarantees, processes and procedures are in place to allow a frequent review of compliance with Basel 2 regulations in order to be able to benefit from recognition of guarantees when computing regulatory capital.
Performance in terms of the amounts and/or absolute numbers of adequate guarantees is reviewed and monitored on a monthly basis.
To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
Furthermore, the Group establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement).

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Bank applies regulations issued by the Bank of Italy, consistent with the New Basel Accord and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
These assets are measured in accordance with the criteria and methods illustrated in Part A – Accounting Policies, Loans and Other information sections, to which specific reference should be made.
With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
During 2009, the management of doubtful loans - pending the implementation of a project aimed at the overall redefinition of the loan recovery operations within the Group - continued using essentially the same procedures as those adopted in the year 2008.
Specifically, for the former Sanpaolo network within Intesa Sanpaolo and almost all Network Banks, this management remained centralised in specialised Head Office functions within the Loan Recovery Department that rely on personnel located throughout the branch network to conduct the related recovery activities. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.
The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
For the former Intesa network within Intesa Sanpaolo and some Network Banks, doubtful positions are managed under a management mandate with predetermined limits assigned to Italfondiario S.p.A..
The activities carried out by Italfondiario have been subject to ongoing monitoring by the relevant internal functions of the Bank.
Please note in particular that the assessment of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are progressively being brought into line with the guidelines established for the internally managed positions. On this subject, the Loan Recovery Department also supervises the management of positions assigned to Italfondiario S.p.A..
To complete the foregoing information, it should also be noted that doubtful positions of limited amounts, excluding some specific cases, are routinely factored without recourse to third-party companies on a monthly basis when they are classified as doubtful. This system, which is currently in place for Intesa Sanpaolo and some Network Banks, is gradually being extended to other Group Network Banks.
Lastly, in the area of the organisation and management of recovery activity, in December 2009 the Management Board

approved an amendment to the servicing agreement with Italfondiario S.p.A., under which responsibility for non-performing positions is normally to be allocated to internal units (Loan Recovery Department) and Italfondiario S.p.A. on the basis of criteria relating to the amount of the customer's exposure.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to expired and/or past-due loans as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "expired and/or past-due loans" are restored to performing status automatically when payment is received. The same is true of exposures of moderate amounts previously classified as substandard in accordance with internal provisions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information concerning credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items.

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

The data shown in the following tables (A.1.1 and A.1.2) refer to all companies within the scope of consolidation for accounting purposes. In the tables, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

	Banking group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	1	57	2	14	67,917	-	145	68,136
2. Financial assets available for sale	5	1	-	-	13,196	-	18,196	31,398
3. Investments held to maturity	-	2	-	-	4,559	-	-	4,561
4. Due from banks	27	1	-	2	43,148	-	64	43,242
5. Loans to customers	5,361	10,370	2,293	2,417	352,181	4	1,407	374,033
6. Financial assets designated at fair value through profit and loss	-	-	-	-	721	-	10,691	11,412
7. Financial assets under disposal	-	-	-	9	5,789	-	-	5,798
8. Hedging derivatives	-	-	-	-	6,993	-	13	7,006
Total 31.12.2009	**5,394**	**10,431**	**2,295**	**2,442**	**494,504**	**4**	**30,516**	**545,586**
Total 31.12.2008	**3,983**	**5,347**	**399**	**1,883**	**521,349**	**14**	**27,146**	**560,121**

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

(millions of euro)

	Non-performing assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	74	-	74	X	X	67,917	67,991
2. Financial assets available for sale	6	-	6	13,196	-	13,196	13,202
3. Investments held to maturity	2	-	2	4,559	-	4,559	4,561
4. Due from banks	109	-79	30	43,182	-34	43,148	43,178
5. Loans to customers	34,403	-13,962	20,441	354,639	-2,458	352,181	372,622
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	721	721
7. Financial assets under disposal	10	-1	9	5,808	-19	5,789	5,798
8. Hedging derivatives	-	-	-	X	X	6,993	6,993
Total A	**34,604**	**-14,042**	**20,562**	**421,384**	**-2,511**	**494,504**	**515,066**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	145	145
2. Financial assets available for sale	-	-	-	18,196	-	18,196	18,196
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	64	-	64	64
5. Loans to customers	5	-1	4	1,407	-	1,407	1,411
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	10,691	10,691
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	13	13
Total B	**5**	**-1**	**4**	**19,667**	**-**	**30,516**	**30,520**
Total 31.12.2009	**34,609**	**-14,043**	**20,566**	**441,051**	**-2,511**	**525,020**	**545,586**
Total 31.12.2008	**22,918**	**-11,299**	**11,626**	**474,657**	**-2,530**	**548,495**	**560,121**

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	104	-77	X	27
b) Substandard loans	4	-2	X	2
c) Restructured exposures	-	-	X	-
d) Past due exposures	4	-	X	4
e) Other assets	55,885	X	-51	55,834
TOTAL A	**55,997**	**-79**	**-51**	**55,867**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	4	-1	X	3
b) Other	72,378	X	-20	72,358
TOTAL B	**72,382**	**-1**	**-20**	**72,361**
TOTAL (A + B)	**128,379**	**-80**	**-71**	**128,228**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss, or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

A.1.4. Banking group – On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**15**	**90**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**98**	**11**	**-**	**21**
B.1 inflows from performing exposures	7	3	-	18
B.2 transfers from other non-performing exposure categories	89	6	-	-
B.3 other increases	2	2	-	3
B.4 business combinations	-	-	-	-
C. Decreases	**-9**	**-97**	**-**	**-21**
C.1 outflows to performing exposures	-	-	-	-5
C.2 write-offs	-1	-	-	-
C.3 repayments	-2	-6	-	-16
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-6	-89	-	-
C.6 other decreases	-	-2	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**104**	**4**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**13**	**63**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**77**	**5**	**-**	**-**
B.1 impairment losses	11	-	-	-
B.2 transfers from other non-performing exposure categories	63	5	-	-
B.3 other increases	3	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-13**	**-66**	**-**	**-**
C.1 recoveries on impairment losses	-	-1	-	-
C.2 recoveries on repayments	-	-	-	-
C.3 write-offs	-1	-	-	-
C.4 transfers to other non-performing exposure categories	-5	-63	-	-
C.5 other decreases	-7	-2	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**77**	**2**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	16,457	-11,094	X	5,363
b) Substandard loans	12,973	-2,600	X	10,373
c) Restructured exposures	2,402	-109	X	2,293
d) Past due exposures	2,589	-160	X	2,429
e) Other assets	397,114	X	-2,459	394,655
TOTAL A	**431,535**	**-13,963**	**-2,459**	**415,113**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,148	-144	X	1,004
b) Other	135,975	X	-253	135,722
TOTAL B	**137,123**	**-144**	**-253**	**136,726**
TOTALE (A + B)	**568,658**	**-14,107**	**-2,712**	**551,839**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss, or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).
Substandard and restructured loans include 402 million euro and 67 million euro, respectively, in exposures for which there is cash collateral among deposit liabilities.
Performing on-balance sheet exposures to customers include 823 million euro in dealings between the banking group and other companies within the scope of consolidation. For performing off-balance sheet exposures, this amount comes to 2,095 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**13,217**	**7,043**	**534**	**2,042**
- of which exposures sold not derecognised	*10*	*15*	*-*	*7*
B. Increases	**5,507**	**13,790**	**2,554**	**6,592**
B.1 inflows from performing exposures	1,251	8,496	1,707	6,168
B.2 transfers from other non-performing exposure categories	3,351	3,964	703	51
B.3 other increases	905	1,330	144	373
B.4 business combinations	-	-	-	-
C. Decreases	**-2,267**	**-7,860**	**-686**	**-6,045**
C.1 outflows to performing exposures	-115	-1,551	-13	-1,692
C.2 write-offs	-712	-165	-92	-11
C.3 repayments	-1,075	-1,815	-132	-728
C.4 credit disposals	-38	-44	-	-
C.5 transfers to other non-performing exposure categories	-141	-3,940	-400	-3,588
C.6 other decreases	-186	-345	-49	-26
C.7 business combinations	-	-	-	-
D. Final gross exposure	**16,457**	**12,973**	**2,402**	**2,589**
- of which exposures sold not derecognised	*21*	*33*	*1*	*12*

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**9,225**	**1,745**	**135**	**165**
- of which exposures sold not derecognised	*2*	*3*	-	-
B. Increases	**3,697**	**2,652**	**211**	**293**
B.1 impairment losses	2,287	2,130	89	263
B.2 transfers from other non-performing exposure categories	826	341	119	6
B.3 other increases	584	181	3	24
B.4 business combinations	-	-	-	-
C. Decreases	**-1,828**	**-1,797**	**-237**	**-298**
C.1 recoveries on impairment losses	-420	-444	-27	-50
C.2 recoveries on repayments	-318	-129	-2	-10
C.3 write-offs	-712	-165	-92	-11
C.4 transfers to other non-performing exposure categories	-57	-933	-99	-203
C.5 other decreases	-321	-126	-17	-24
C.6 business combinations	-	-	-	-
D. Final total adjustments	**11,094**	**2,600**	**109**	**160**
- of which exposures sold not derecognised	*10*	*8*	-	*5*

The "other increases" mainly include the verification of interest due and the increases in the balances of the funds in foreign currency following the change in the exchange rate. The "other decreases" mainly consist of the exclusion from the scope of consolidation of Findomestic following the partial sale of the investment in the company to third parties.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. Gross converted loans came to 79 million euro and were adjusted for 74 million euro. The equity instruments obtained were recognised at fair value (which amounted to approximately 5 million euro) and classified among financial assets available for sale.

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

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

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to capital adequacy framework: Standard & Poor's ratings Services, Moody's Investors Service, and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**61,707**	**37,492**	**14,600**	**11,147**	**4,776**	**22,288**	**318,969**	**470,979**
B. Derivatives	**3,322**	**2,488**	**80**	**56**	**10**	**70**	**4,823**	**10,849**
B.1. Financial derivatives	3,285	2,329	80	56	10	70	4,533	10,363
B.2. Credit derivatives	37	159	-	-	-	-	290	486
C. Guarantees given	**3,184**	**3,658**	**2,000**	**1,004**	**233**	**510**	**39,022**	**49,611**
D. Commitments to lend funds	**36,715**	**13,112**	**10,146**	**1,565**	**38,686**	**1,466**	**46,937**	**148,627**
Total	**104,928**	**56,750**	**26,826**	**13,772**	**43,705**	**24,334**	**409,751**	**680,066**

The following tables show the mapping of risk classes and the rating agencies employed.

Mapping of long-term ratings issued by external rating agencies

Long-term ratings for exposures to: central governments and central banks, supervised issuers, public-sector entities, local authorities, multilateral development banks, enterprises and other parties

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	P -1	F1+ , F1	A -1 + , A -1
2	P -2	A -2	F2
3	P -3	A -3	F3
from 4 to 6	NP	lower than A -3	lower than F3

Ratings for exposures to UCI

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1to Ba3	from BBB+ to BB-	from BBB m/f to BB - m/f
5 and 6	B1and lower	B+ and lower	B + m/f and lower

Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to BAa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

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

As already stated in the Qualitative information section, Intesa Sanpaolo has obtained permission to use the Foundation Internal Rating Based (FIRB) approach to determine the capital requirements of the Corporate portfolio (Regulatory corporate).

At 31 December 2009, the companies within the scope of application of reporting according to the FIRB approach were the Parent Company, Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio di Venezia, Cassa di Risparmio in Bologna, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio di Forlì e della Romagna, Banca di Trento e Bolzano, Banca dell'Adriatico, Cassa di Risparmio di Firenze, Cassa di Risparmio di Civitavecchia, Cassa di Risparmio di Pistoia e Pescia, Cassa di Risparmio della Spezia, BIIS – Banca Infrastrutture Innovazione e Sviluppo, Mediocredito Italiano Spa, Banca di Credito Sardo, Leasint and Mediofactoring.

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

Unrated loans account for 25% of all loans and refer to customer segments for which a rating model is not yet available (loans to individuals), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

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

When unrated counterparties and non-performing loans are excluded, rating classes at investment grade account for the majority, 57% of the total, whilst 23% fall within the BB+/BB- range and 20% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**65,454**	**42,893**	**69,824**	**93,658**	**45,249**	**4,789**	**20,491**	**128,621**	**470,979**
B. Derivatives	**2,772**	**1,767**	**564**	**902**	**586**	**21**	**70**	**4,167**	**10,849**
B.1. Financial derivatives	2,747	1,685	564	902	586	21	70	3,788	10,363
B.2. Credit derivatives	25	82	-	-	-	-	-	379	486
C. Guarantees given	**5,265**	**7,461**	**13,412**	**9,754**	**4,950**	**125**	**479**	**8,165**	**49,611**
D. Commitments to lend funds	**37,450**	**12,902**	**16,299**	**8,181**	**42,130**	**790**	**458**	**30,417**	**148,627**
Total	**110,941**	**65,023**	**100,099**	**112,495**	**92,915**	**5,725**	**21,498**	**171,370**	**680,066**

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

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**9,274**	**-**	**363**	**-**	**3,455**	**-**	**31**	**-**	**13,123**
COLLATERAL(1)									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	8,611	-	55	-	85	-	-	-	8,751
Other	267	-	3	-	3,345	-	6	-	3,621
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	*4*	-	-	-	-	-	-	-	*4*
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*85*	-	*115*	-	-	-	-	-	*200*
Other public entities	*103*	-	*17*	-	-	-	-	-	*120*
Banks	*233*	-	*49*	-	*21*	-	*11*	-	*314*
Other counterparties	*328*	-	*86*	-	*4*	-	*2*	-	*420*
TOTAL	**9,631**	**-**	**325**	**-**	**3,455**	**-**	**19**	**-**	**13,430**

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

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**200,251**	**11,795**	**23,731**	**2,208**	**19,351**	**396**	**3,824**	**92**	**247,157**
COLLATERAL(1)									
Real estate assets	133,500	8,457	6,127	267	7,297	193	375	16	147,299
Securities	15,139	260	2,254	975	538	18	155	6	18,086
Other	4,246	338	2,195	76	2,650	9	83	4	9,174
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*8,566*	*2*	*427*	*5*	*1,685*	-	-	-	*10,678*
Other public entities	*424*	*6*	*265*	*1*	*124*	-	*19*	-	*832*
Banks	*1,476*	*426*	*284*	*3*	*506*	*1*	*25*	*6*	*2,291*
Other counterparties	*40,148*	*2,657*	*5,092*	*344*	*8,510*	*195*	*1,068*	*23*	*54,818*
TOTAL	**203,499**	**12,146**	**16,644**	**1,671**	**21,310**	**416**	**1,725**	**55**	**243,178**

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

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2009	TOTAL 31.12.2008
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	-	5	-	6	41,420	41,431	-	-	-	1,184	1,184	42,615	26,134
Individual adjustments	-1	-5	-	-	X	-6	-	-	-	X	-	-6	-2
Collective adjustments	X	X	X	X	-4	-4	X	X	X	-	-	-4	-7
OTHER PUBLIC ENTITIES													
Net exposure	3	188	-	66	23,503	23,760	-	-	-	2,735	2,735	26,495	26,448
Individual adjustments	-2	-40	-	-	X	-42	-	-	-	X	-	-42	-19
Collective adjustments	X	X	X	X	-36	-36	X	X	X	-3	-3	-39	-52
FINANCIAL INSTITUTIONS													
Net exposure	96	317	7	30	33,591	34,041	1	14	2	38,493	38,510	72,551	58,165
Individual adjustments	-493	-35	-1	-3	X	-532	-	-	-	X	-	-532	-514
Collective adjustments	X	X	X	X	-110	-110	X	X	X	-14	-14	-124	-144
INSURANCE COMPANIES													
Net exposure	21	32	-	-	3,207	3,260	-	-	-	1,848	1,848	5,108	5,241
Individual adjustments	-16	-10	-	-	X	-26	-	-	-	X	-	-26	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-4	-4	-6	-5
NON-FINANCIAL COMPANIES													
Net exposure	4,165	8,152	2,163	1,490	212,338	228,308	124	627	210	88,210	89,171	317,479	337,882
Individual adjustments	-8,853	-2,068	-107	-128	X	-11,156	-51	-57	-11	X	-119	-11,275	-8,213
Collective adjustments	X	X	X	X	-2,023	-2,023	X	X	X	-213	-213	-2,236	-2,101
OTHER COUNTERPARTIES													
Net exposure	1,078	1,679	123	837	80,596	84,313	14	11	1	3,252	3,278	87,591	111,368
Individual adjustments	-1,729	-442	-1	-29	X	-2,201	-24	-1	-	X	-25	-2,226	-2,675
Collective adjustments	X	X	X	X	-284	-284	X	X	X	-19	-19	-303	-524

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

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	4,900	-9,364	400	-1,386	20	-79	10	-43	33	-222
A.2. Substandard loans	8,977	-2,197	1,297	-354	89	-38	3	-10	7	-1
A.3. Restructured exposures	2,039	-86	231	-13	23	-10	-	-	-	-
A.4. Past due exposures	2,237	-158	182	-2	10	-	-	-	-	-
A.5. Other exposures	321,336	-1,847	58,645	-503	7,008	-34	3,986	-17	3,680	-58
Total A	**339,489**	**-13,652**	**60,755**	**-2,258**	**7,150**	**-161**	**3,999**	**-70**	**3,720**	**-281**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	121	-44	5	-6	-	-	-	-2	13	-24
B.2. Substandard loans	519	-52	34	-4	99	-1	-	-	-	-
B.3. Other non-performing assets	212	-11	-	-	1	-	-	-	-	-
B.4. Other exposures	61,790	-170	55,414	-71	16,973	-6	817	-2	728	-4
Total B	**62,642**	**-277**	**55,453**	**-81**	**17,073**	**-7**	**817**	**-4**	**741**	**-28**
TOTAL (A+B) 31.12.2009	**402,131**	**-13,929**	**116,208**	**-2,339**	**24,223**	**-168**	**4,816**	**-74**	**4,461**	**-309**
TOTAL 31.12.2008	**412,995**	**-11,987**	**108,440**	**-1,710**	**31,154**	**-139**	**5,681**	**-57**	**6,968**	**-374**

B.3. Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	1,683	-2,957	1,014	-2,014	1,064	-1,675	1,139	-2,718
A.2. Substandard loans	3,399	-802	2,116	-437	1,531	-390	1,931	-568
A.3. Restructured exposures	1,802	-48	130	-13	55	-21	52	-4
A.4. Past due exposures	713	-42	458	-40	490	-36	576	-40
A.5. Other exposures	128,650	-706	59,019	-381	89,956	-374	43,711	-386
Total A	**136,247**	**-4,555**	**62,737**	**-2,885**	**93,096**	**-2,496**	**47,409**	**-3,716**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	40	-4	19	-11	52	-8	10	-21
B.2. Substandard loans	170	-13	153	-3	110	-22	86	-14
B.3. Other non-performing assets	150	-8	26	-2	16	-1	20	-
B.4. Other exposures	25,949	-66	10,219	-39	21,033	-51	4,589	-14
Total B	**26,309**	**-91**	**10,417**	**-55**	**21,211**	**-82**	**4,705**	**-49**
TOTAL (A+B) 31.12.2009	**162,556**	**-4,646**	**73,154**	**-2,940**	**114,307**	**-2,578**	**52,114**	**-3,765**

B.4. Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	23	-71	1	-3	3	-3	-	-
A.2. Substandard loans	-	-	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	2	-	2	-	-	-	-	-	-	-
A.5. Other exposures	25,342	-4	22,798	-28	3,077	-9	3,052	-10	1,565	-
Total A	**25,344**	**-4**	**22,824**	**-100**	**3,079**	**-13**	**3,055**	**-13**	**1,565**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	3	-1	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	15,324	-	49,990	-7	4,979	-1	1,765	-10	300	-2
Total B	**15,324**	**-**	**49,990**	**-7**	**4,979**	**-1**	**1,768**	**-11**	**300**	**-2**
TOTAL (A+B) 31.12.2009	**40,668**	**-4**	**72,814**	**-107**	**8,058**	**-14**	**4,823**	**-24**	**1,865**	**-2**
TOTAL 31.12.2008	**29,897**	**-4**	**68,405**	**-52**	**4,676**	**-9**	**4,706**	**-11**	**2,819**	**-59**

B.5. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	-	-	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	2	-	-	-
A.5. Other exposures	10,539	-2	1,109	-	13,599	-2	95	-
Total A	**10,539**	**-2**	**1,109**	**-**	**13,601**	**-2**	**95**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	2,227	-	1,593	-	11,420	-	84	-
Total B	**2,227**	**-**	**1,593**	**-**	**11,420**	**-**	**84**	**-**
TOTAL (A+B) 31.12.2009	**12,766**	**-2**	**2,702**	**-**	**25,021**	**-2**	**179**	**-**

B.6. Large risks

Large risks	
a) Amount (millions of euro)	4,727
b) Number	1

C. SECURITISATIONS AND ASSET SALES

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

C.1. Securitisations

Qualitative information

In 2009, the Intesa Sanpaolo Group did not carry out any new securitisations.

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**176**	**176**	**27**	**27**	**119**	**116**
a) Non-performing	-	-	17	17	33	33
b) Other	176	176	10	10	86	83
B. Third party underlying assets	**4,383**	**4,382**	**445**	**439**	**45**	**45**
a) Non-performing	-	-	-	-	-	-
b) Other	4,383	4,382	445	439	45	45
Total	**4,559**	**4,558**	**472**	**466**	**164**	**161**

Part of the positions shown in the table above has been included within the structured credit products: 3,281 million euro of gross exposures and 3,262 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**13**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	13	13	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets (*)	**122**	**122**	**-**	**-**	**2**	**2**	**1,766**	**1,766** (**)	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	122	122	-	-	2	2	1,766	1,766	-	-	-	-
TOTAL	**135**	**135**	**-**	**-**	**2**	**2**	**1,766**	**1,766**	**-**	**-**	**-**	**-**

(*) Including Romulus and Duomo Asset Backed Commercial Paper (ABCP) programmes as detailed in the tables relating to third party securitisations.

(**) The remaining 135 million euro of unused margins represent the difference between the total credit line granted of 1,901 million euro and the credit line used to issue securities of 1,766 million euro.

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**10**	**-**	**21**	**-26**	**72**	**12**
A.1 Intesa Lease Sec						
- performing leasing contracts	*2*	*-*	*-*	*-*	*-*	*-*
A.2 Intesa Sec 2						
- performing residential mortgages	*7*	*-*	*4*	*-*	*27*	*-*
A.3 Intesa Sec						
- performing mortgages	*-*	*-*	*-*	*-*	*7*	*-*
A.4 Intesa Sec Npl						
- doubtful mortgages	*-*	*-*	*17*	*-26*	*33*	*14*
A.5 Cr Firenze Mutui						
- performing mortgages	*1*	*-*	*-*	*-*	*5*	*-2*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**166**	**7**	**6**	**-**	**44**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*149*	*7*	*-*	*-*	*26*	*-*
C.2 Da Vinci						
- Loans to the aircraft sector	*1*	*-*	*-*	*-*	*-*	*-*
C.3 Split 2						
- performing leasing contracts	*16*	*-*	*6*	*-*	*18*	*-*
TOTAL	**176**	**7**	**27**	**-26**	**116**	**12**

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

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 AYT Cedulas						
- Residential mortgages	*263*	-	-	-	-	-
A.2 Cartesio						
- Loans to the health system	*101*	-	-	-	-	-
A.3 Cordusio RMBS Securitisation						
- Residential mortgages	*73*	-	*17*	-	-	-
A.4 D'Annunzio						
- Loans to the health system	*168*	-	-	-	-	-
A.5 Duchess (*)						
- CLOs	*159*	*42*	-	-	-	-
A.6 Euterpe (**)						
- Amounts due from tax authorities	*145*	-	-	-	-	-
A.7 Fondo Immobili Pubblici						
- Public property	*300*	*1*	-	-	-	-
A.8 Geldilux						
- Loans	*204*	-	*2*	-	-	-
A.9 Posillipo Finance						
- Loans to the health system	*188*	-	-	-	-	-
A.10 Rhodium (*)						
- Structure Finance CDOs	*50*	*-2*	-	-	-	-
A.11 Soc. Cart. Crediti INPS						
- Social security benefits	*279*	-	-	-	-	-
A.12 SUMMER STREET 2004-1 LTD (*)						
- Structure Finance CDOs	*56*	*-1*	-	-	-	-
A.13 Stone tower						
- CLOs (*)	*46*	*-9*	-	-	-	-
- CLOs	*10*	-	-	-	-	-
A.14 LOCAT SECURITISATION VEHICLE						
- Loans deriving from leasing contracts	*60*	-	*3*	-	*1*	-
A.15 TCW GLOBAL PROJECT FUND III						
- Project Finance loans	*571*	-	-	-	-	-
A.16 GSC PARTNERS CDO FUND LTD						
- Corporate loans	*143*	-	-	-	-	-
A.17 Portfolio of investment grade ABS securities subject to unitary management	*85*	-	-	-	-	-
A.18 Residual portfolio divided in 412 securities	1,481	1 (***)	417	-12 (****)	44	-1
TOTAL	**4,382**	**32**	**439**	**-12**	**45**	**-1**

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

(**) Exposure to Euterpe (with 102 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as Exposures to securitisations for prudential supervision purposes.

(***) Of which -6 million euro related to securities included in packages.

(****) Of which -3 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 412 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Credit cards	3	-	-	-	-	-
Consumer credit	81	1	7	-	-	-
Car loans	37	-	4	-	2	-
WL Collateral CMO	61	-	-	-	-	-
Loans to research	37	-	-	-	-	-
Project Finance loans	22	-	-	-	-	-
Financing for SMEs	201	-	28	-	2	-
Residential mortgages	518	5	188	-3	35	-1
Loans deriving from leasing contracts	70	2	7	-	-	-
Public property	8	-	4	-	-	-
Commercial mortgages	126	-	109	-5	5	-
Other assets	28	-	-	-	-	-
Long-term mortgages to public entities and industries	87	-	-	-	-	-
Other ABS (CLO-CMO-CFO)	39	-	55	-4	-	-
CDO cash	57	-1	12	-	-	-
Financial derivatives (foreign exchange rates/interest rate/index)	106	-6	3	-	-	-
TOTALE	**1,481**	**1**	**417**	**-12**	**44**	**-1**

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	*122*	-	-	-	-	-	*1,766*	- (*)	-	-	-	-
A.3 Other minor												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
Total	**122**	**-**	**-**	**-**	**2**	**-**	**1,766**	**-**	**-**	**-**	**-**	**-**

(*) The remaining 135 million euro of unused margins represent the difference between the total credit line granted of 1,901 million euro and the credit line used to issue securities of 1,766 million euro.

C.1.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	905	62	10	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	87	19	45	-	-	-
Investments held to maturity	117	-	-	-	-	-
Loans (**)	3,283	379	62	1,901	-	2
Total 31.12.2009	**4,392**	**460**	**117**	**1,901**	**-**	**2**
Total 31.12.2008	**5,177**	**723**	**127**	**13**	**844**	**2**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 216 million euro. No off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised are recorded as at 31 December 2009.

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

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

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**1,228**	**-**
A.1 Fully derecognised	297	X
1. Doubtful loans	*60*	*X*
2. Substandard loans	*1*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*2*	*X*
5. Other assets	*234*	*X*
A.2 Partly derecognised	-	X
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	931	-
1. Doubtful loans	*8*	*-*
2. Substandard loans	*11*	*-*
3. Restructured exposures	*-*	*-*
4. Past due exposures	*5*	*-*
5. Other assets	*907*	*-*
B. Third party underlying assets	**700**	**85**
B.1. Doubtful loans	2	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	2	-
B.5. Other assets	696	85

C.1.6. Banking group - Stakes in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Lease Sec	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Spa	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2 Srl	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 3 Srl	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Npl Spa	Intesa Sanpaolo	Milano	60.00%
Augusto Srl	Intesa Sanpaolo	Milano	5.00%
Colombo Srl	Intesa Sanpaolo	Milano	5.00%
Diocleziano Srl	Intesa Sanpaolo	Milano	5.00%
CR Firenze Mutui	CR Firenze	Conegliano Veneto	10.00%
ISP Sec 4 Srl (*)	Intesa Sanpaolo	Milano	100.00%

(*) The company ISP Sec 4 was not operative as at 31 December 2009.

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

Servicer	Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	3	5	-	12	-	100%	-	99%	-	-
Intesa Sanpaolo	Intesa Sec 2	9	327	1	165	-	87%	-	-	-	-
Intesa Sanpaolo	Intesa Sec 3	28	1,933	4	543	-	46%	-	-	-	-
Italfondiario	Intesa Sec NPL	58	8	29	-	100%	-	44%	-	-	-
Leasint	Intesa Lease Sec	11	111	5	124	-	98%	-	-	-	-
Leasint	Split 2	16	348	2	271	-	81%	-	-	-	-
CR Firenze	Cr Firenze Mutui	2	140	-	53	-	78%	-	-	-	-
Total		**127**	**2,872**	**41**	**1,168**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(millions of euro)

A. Securitised assets			**8**
A.1 Loans		7	
- loans outstanding	*5*		
- past due loans	*2*		
A.2 Securities		-	
A.3 Other assets		1	
- accrued income on IRS	*-*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**6**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		6	
C. Securities issued			**11**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		3	
C.4 Class C		8	
D. Financing received			**-**
E. Other liabilities			**1**
E.1 Due to Parent Company		-	
E.2 Accrued expenses – interest on securities issued		-	
E.3 Accrued expenses on IRS		-	
E.4 “Additional return” allowance		1	
F. Interest expense on securities issued			**-**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**1**
H.1 Interest expense		1	
H.2 Additional return		-	
I. Interest income on securitised assets			**1**
L. Other revenues			**1**
L.1 Interest income		1	

Intesa Sec 2

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**336**
A.1 Loans		325	
- loans outstanding	*310*		
- past due loans	*15*		
A.2 Securities		-	
A.3 Other assets		11	
- accrued income on IRS	*1*		
- suspended items for DPP	*3*		
- tax credits	*7*		
B. Investments of the funds collected from loan management			**63**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		63	
C. Securities issued			**348**
C.1 Class A1		-	
C.2 Class A2		246	
C.3 Class B		41	
C.4 Class C		61	
D. Financing received			**19**
E. Other liabilities			**8**
E.1 Due to Parent Company		2	
E.2 Other DPP liabilities		4	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		2	
F. Interest expense on securities issued			**10**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**29**
H.1 Interest expense		24	
H.2 Cost of liquidation DPP of the period		5	
I. Interest income on securitised assets			**22**
L. Other revenues			**15**
L.1 Interest income		15	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,961**
A.1 Loans		1,955	
- loans outstanding	*1,920*		
- past due loans	*35*		
A.2 Securities		-	
A.3 Other assets		6	
- accrued income on IRS	*5*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**149**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		149	
C. Securities issued			**2,029**
C.1 class A1		-	
C.2 Class A2		936	
C.3 Class A3		947	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**23**
E. Other liabilities			**53**
E.1 Due to Parent Company		1	
E.2 "Additional return" allowance		39	
E.3 Accrued expenses – interest on securities issued		3	
E.4 Accrued expenses on IRS		10	
F. Interest expense on securities issued			**41**
G. Commissions and fees			**3**
G.1 Servicing		3	
G.2 Securities placement commissions		-	
H. Other expenses			**107**
H.1 Interest expense		81	
H.2 Additional return		26	
I. Interest income on securitised assets			**90**
L. Other revenues			**53**
L.1 Interest income		52	
L.2 Revenues from penalties for advanced extinguishment and other		1	

Intesa Sec Npl

Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets			**66**
A.1 Loans		60	
- loans outstanding	*1*		
- past due loans	*57*		
- loans for overdue interest	*2*		
A.2 Securities		-	
A.3 Other assets		6	
- cap option premium paid	*5*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**16**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		16	
C. Securities issued			**158**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		-	
C.4 Class D		117	
C.5 Class E		41	
D. Financing received			**3**
E. Other liabilities			**13**
E.1 Amounts due for services rendered		3	
E.2 Accrued expenses – interest on securities issued		6	
E.3 Other accrued expenses		3	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Other services		-	
H. Other expenses			**23**
H.1 Interest expense		6	
H.2 Other expenses		3	
H.3 Losses on overdue interest		4	
H.4 Forecasted losses on loans		1	
H.5 Forecasted losses on loans		9	
I. Interest income on securitised assets			**-**
L. Other revenues			**8**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		8	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**364**
A.1 Loans	364	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**93**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	93	
C. Securities issued		**443**
C.1 Class A	317	
C.2 Class B	63	
C.3 Class C	45	
C.4 Class D	18	
D. Financing received		**-**
E. Other liabilities		**13**
F. Interest expense on securities issued		**11**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**12**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

A. Securitised assets			**122**
A.1 Loans		122	
- principal	*111*		
- credits for invoiced leasing instalments	*11*		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**29**
B.1 Debt securities		23	
B.2 Equities		-	
B.3 Liquidity		6	
C. Securities issued			**132**
C.1 Class A1		-	
C.2 Class A2		9	
C.3 Class A3		17	
C.4 Class B		84	
C.5 Class C		22	
D. Financing received			**-**
E. Other liabilities			**32**
E.1 Other accrued expenses and deferred income		1	
E.2 Allowance for “additional return”		31	
F. Interest expense on securities issued			**4**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**10**
H.1 Interest expense		4	
H.2 Other expenses		1	
H.3 Losses on loans		-	
H.4 Forecasted losses on loans		1	
H.5 Additional return		4	
I. Interest income on securitised assets			**8**
L. Other revenues			**4**
L.1 Interest income		3	
L.2 Write-backs		1	
L.3 Other revenues		-	

CR Firenze Mutui
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**142**
A.1 Loans	142	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**15**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	15	
C. Securities issued		**147**
C.1 Class A	103	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		**10**
F. Interest expense on securities issued		**5**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**2**
I. Interest income on securitised assets		**8**
L. Other revenues		**-**

C.2. Sales

C.2.1. Banking group - Financial assets sold not derecognised

(millions of euro)

	Cash assets				Derivatives	31.12.2009		31.12.2008	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**7,957**	**-**	**-**	**-**	**-**	**7,957**	**-**	**3,040**	**-**
- Financial assets sold totally recognised (book value)	7,957	-	-	-	-	7,957	-	3,040	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**10**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	10	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**4,308**	**-**	**-**	**-**	**X**	**4,308**	**-**	**3,349**	**-**
- Financial assets sold totally recognised (book value)	4,308	-	-	-	X	4,308	-	3,349	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**25**	**X**	**X**	**-**	**X**	**25**	**-**	**596**	**-**
- Financial assets sold totally recognised (book value)	25	X	X	-	X	25	-	596	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**359**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	359	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**4**	**X**	**X**	**364**	**X**	**368**	**-**	**2,407**	**-**
- Financial assets sold totally recognised (book value)	4	X	X	364	X	368	-	2,407	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2009	**12,294**	**-**	**-**	**364**	**-**	**12,658**	**-**	**X**	**X**
Total 31.12.2008	**9,712**	**-**	**-**	**49**	**-**	**X**	**X**	**9,761**	**-**

Financial assets sold not derecognised are made up of securities relative to repurchase agreements.
The financial assets sold not derecognised included within loans relate to the receivables sold under the Split 2 securitisation.

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

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total 31.12.2009	Total 31.12.2008
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	2,305	-	4,746	-	-	-	7,051	9,098
Financial assets measured at fair value	-	-	-	-	-	-	-	8
Financial assets available for sale	78	-	-	-	-	-	78	1,381
Investments held to maturity	-	-	16	-	-	-	16	408
Due from banks	255	-	-	-	-	-	255	-
Loans to customers	397	-	-	-	2,029	-	2,426	3,160
Total	**3,035**	**-**	**4,762**	**-**	**2,029**	**-**	**9,826**	**14,055**

The financial liabilities corresponding to financial assets sold and not derecognised (shown in the columns Due to customers and Due to banks) relate to reverse repurchase agreements for securities recorded under assets. The Due to customers column also shows the financial liabilities corresponding to receivables sold to the Split 2 vehicle, which does not fall within the scope of the Banking group.
On the other hand, in accordance with the regulations, the liabilities issued as part of the related securitisation by the Intesa Sec 3 vehicle (included within the consolidation) are shown under securities issued.
The reverse repurchase agreements relating to securities received under repurchase agreements are not included.

C.3. Banking group - Covered bond transactions

In order to prudentially enhance its already broad availability of eligible assets for central banks, in May 2009 Banca Infrastrutture Innovazione e Sviluppo (BIIS) sold a portfolio of performing public sector loans to the ISP CB Pubblico Special Purpose Vehicle for a nominal value of around 3.6 billion euro and issued a subordinated loan to the vehicle of around 3.8 billion euro for payment of the sale. In accordance with IAS 39, this transaction, aimed at the issue of Covered Bonds by Intesa Sanpaolo, did not represent a sale without recourse for accounting purposes because BIIS retained all the risks and rewards connected to the loans sold. In accordance with the Bank of Italy provisions governing Covered Bond issues where the originator and the lender are the same entity, BIIS consolidated the separate assets of the vehicle, provided as security for the issue, within its financial statements.
At the end of July 2009, Intesa Sanpaolo completed a programme for the issue of 10 billion euro of Covered Bonds. Under this programme an issue was made for 3 billion euro, with a maturity in 2011, a listing on the Luxembourg Stock Exchange and a Aaa rating from Moody's.
These bonds, with a floating rate linked to the 6-month Euribor, were fully subscribed by BIIS, which allocated them as security for its funding at the European Central Bank, through transactions carried out via the Parent Company.

The key figures for ISP CB Pubblico as at 31 December 2009 are shown in the table below.

(millions of euro)

COVERED BONDS		Vehicle data		Liquidity lines		Guarantees given		Covered bonds issued (2)	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing mortgages	3,887	-	3,790	3,790	-	-	3,000	3,000	Loans	Amortised cost

(1) The item includes the subordinated loan granted by BIIS to ISP CB Pubblico for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant BIIS financial statements and Intesa Sanpaolo Group consolidated financial statements.

(2) The securities included in the first tranche of the covered bonds transaction were issued by Intesa Sanpaolo and purchased in full by BIIS.

D. BANKING GROUP - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2009, the expected loss on core banks (Basel 2 scope of validation) amounted to 0.56% of disbursed loans, a 10 basis points increase on the figure as at the end of 2008.
This increase reflects the general deterioration in credit quality caused by the ongoing crisis, which has led to a structural increase in the cost of credit.
The economic capital corresponded to 4.2% of disbursed loans, an increase of 0.7% compared to the figure in 2008.