1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows through cash inflows, liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
– assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
– maintenance of an adequate level of unencumbered, highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.

These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).

The short term Liquidity Policy includes the set of parameters, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indices, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Parent Company and the Group Companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**49,230**	**15,003**	**6,770**	**15,131**	**38,124**	**21,839**	**29,262**	**132,509**	**118,631**	**159**
A.1 Government bonds	272	5	146	213	2,808	5,314	6,600	11,925	6,622	-
A.2 Other debt securities	390	15	19	46	299	895	1,926	12,498	11,430	-
A.3 Quotas of UCI	1,164	18	-	-	-	-	-	-	-	-
A.4 Loans	47,404	14,965	6,605	14,872	35,017	15,630	20,736	108,086	100,579	159
- Banks	*3,715*	*3,499*	*1,637*	*4,383*	*13,824*	*2,380*	*1,096*	*1,448*	*408*	-
- Customers	*43,689*	*11,466*	*4,968*	*10,489*	*21,193*	*13,250*	*19,640*	*106,638*	*100,171*	*159*
Cash liabilities	**176,665**	**11,669**	**3,366**	**8,166**	**20,603**	**15,850**	**32,257**	**83,632**	**40,973**	**175**
B.1 Deposits and current accounts	174,439	2,735	2,112	3,861	6,987	3,923	3,843	4,963	2,227	174
- Banks	*5,755*	*682*	*757*	*865*	*1,881*	*692*	*830*	*2,194*	*754*	*79*
- Customers	*168,684*	*2,053*	*1,355*	*2,996*	*5,106*	*3,231*	*3,013*	*2,769*	*1,473*	*95*
B.2 Debt securities	1,652	1,683	616	3,171	10,260	10,452	22,046	75,203	32,302	1
B.3 Other liabilities	574	7,251	638	1,134	3,356	1,475	6,368	3,466	6,444	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*2,076*	*4,287*	*1,835*	*4,275*	*6,333*	*4,029*	*1,920*	*6,664*	*6,760*	*12*
- Short positions	*2,210*	*7,329*	*2,213*	*4,715*	*8,848*	*5,265*	*5,524*	*9,334*	*4,560*	*12*
C.2 Financial derivatives without exchange of capital										
- Long positions	*44,040*	*1*	*2*	*78*	*163*	*58*	*147*	*348*	*125*	-
- Short positions	*44,548*	*20*	*1*	*3*	*94*	*30*	*193*	*544*	*212*	-
C.3 Deposits and loans to be settled										
- Long positions	*331*	*84*	-	*84*	-	-	-	-	-	*1,504*
- Short positions	-	*276*	-	-	*30*	-	*25*	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	*133*	*2*	*2*	*134*	*1,419*	*2,525*	*3,816*	*16,996*	*4,385*	*315*
- Short positions	*17*	*4,266*	*2*	*40*	*1,594*	*3,267*	*2,731*	*55,689*	*4,795*	*235*
C.5 Financial guarantees given	97	7	1	15	10	27	49	822	183	300

Currency of denomination: US dollar

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,578**	**1,028**	**717**	**1,871**	**3,207**	**1,941**	**1,758**	**7,183**	**3,645**	**29**
A.1 Government bonds	10	-	-	97	81	11	16	30	218	-
A.2 Other debt securities	38	44	62	309	509	133	192	1,290	1,566	-
A.3 Quotas of UCI	564	-	-	-	-	-	-	-	-	-
A.4 Loans	966	984	655	1,465	2,617	1,797	1,550	5,863	1,861	29
- Banks	*334*	*297*	*253*	*571*	*1,693*	*1,256*	*866*	*967*	*36*	-
- Customers	*632*	*687*	*402*	*894*	*924*	*541*	*684*	*4,896*	*1,825*	*29*
Cash liabilities	**4,049**	**7,205**	**2,967**	**4,907**	**17,690**	**3,364**	**1,741**	**1,735**	**185**	**1**
B.1 Deposits and current accounts	3,947	5,354	1,749	1,952	1,429	246	254	278	13	1
- Banks	*701*	*3,761*	*907*	*1,542*	*417*	*26*	*19*	*28*	*1*	-
- Customers	*3,246*	*1,593*	*842*	*410*	*1,012*	*220*	*235*	*250*	*12*	*1*
B.2 Debt securities	12	1,422	996	2,779	15,940	2,995	1,487	1,432	14	-
B.3 Other liabilities	90	429	222	176	321	123	-	25	158	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*104*	*7,122*	*3,222*	*5,894*	*7,214*	*4,610*	*4,926*	*5,435*	*1,810*	-
- Short positions	*243*	*3,848*	*2,172*	*4,065*	*4,409*	*2,203*	*2,469*	*4,395*	*2,888*	-
exchange of capital										
- Long positions	*1,311*	-	-	-	-	*3*	-	*10*	-	-
- Short positions	*1,379*	-	-	-	-	*3*	*7*	*10*	-	-
C.3 Deposits and loans to be settled										
- Long positions	*529*	*2*	-	*2*	-	-	-	-	-	*28*
- Short positions	-	*179*	*44*	*278*	*28*	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*18*	*1*	*30*	*518*	*681*	*621*	*3,010*	*1,067*	-
- Short positions	*49*	*69*	-	*30*	*478*	*685*	*558*	*10,362*	*1,467*	-
C.5 Financial guarantees given	-	-	-	-	-	-	2	34	32	-

Currency of denomination: Pound sterling

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**190**	**101**	**50**	**68**	**293**	**927**	**402**	**316**	**520**	**-**
A.1 Government bonds	1	-	-	-	113	576	-	-	42	-
A.2 Other debt securities	2	-	-	-	-	-	2	41	306	-
A.3 Quotas of UCI	2	-	-	-	-	-	-	-	-	-
A.4 Loans	185	101	50	68	180	351	400	275	172	-
- Banks	*114*	*53*	*1*	*12*	*93*	*103*	-	-	-	-
- Customers	*71*	*48*	*49*	*56*	*87*	*248*	*400*	*275*	*172*	-
Cash liabilities	**691**	**965**	**434**	**341**	**1,228**	**6**	**120**	**686**	**1,595**	**-**
B.1 Deposits and current accounts	662	897	200	223	18	6	12	9	-	-
- Banks	*228*	*168*	*2*	*19*	*1*	*1*	-	-	-	-
- Customers	*434*	*729*	*198*	*204*	*17*	*5*	*12*	*9*	-	-
B.2 Debt securities	29	34	215	118	1,187	-	108	676	1,593	-
B.3 Other liabilities	-	34	19	-	23	-	-	1	2	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*9*	*487*	*122*	*357*	*1,185*	*174*	*228*	*2,587*	*1,289*	-
- Short positions	*17*	*655*	*82*	*565*	*330*	*150*	*103*	*507*	*1,770*	-
exchange of capital										
- Long positions	*104*	-	-	-	-	-	-	-	-	-
- Short positions	*134*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*64*	-	-	-	-	-	-	-	-	-
- Short positions	*14*	*12*	*3*	*34*	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*1*	-	-	-	-	-	-	-	-
- Short positions	*1*	-	-	-	-	-	-	*35*	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Yen

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**247**	**30**	**355**	**292**	**380**	**353**	**79**	**279**	**346**	**-**
A.1 Government bonds	1	-	-	-	198	244	-	-	65	-
A.2 Other debt securities	-	-	-	-	6	1	-	-	123	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	246	30	355	292	176	108	79	279	158	-
- Banks	*153*	*20*	*332*	*150*	*84*	*65*	*42*	*51*	-	-
- Customers	*93*	*10*	*23*	*142*	*92*	*43*	*37*	*228*	*158*	-
Cash liabilities	**178**	**59**	**-**	**-**	**8**	**32**	**67**	**455**	**171**	**-**
B.1 Deposits and current accounts	178	21	-	-	8	1	2	98	-	-
- Banks	*2*	*21*	-	-	-	-	-	-	-	-
- Customers	*176*	-	-	-	*8*	*1*	*2*	*98*	-	-
B.2 Debt securities	-	38	-	-	-	31	65	357	158	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	13	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*7*	*786*	*85*	*187*	*240*	*97*	*167*	*462*	*185*	-
- Short positions	*15*	*1,166*	*761*	*802*	*341*	*304*	*119*	*110*	*138*	-
exchange of capital										
- Long positions	*145*	-	-	-	-	-	-	-	-	-
- Short positions	*183*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*148*	-	-	-	-	-	-	-	-	-
- Short positions	-	*148*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*6*	*1*	*2*	-	-	-	-	-	-
- Short positions	*9*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**376**	**89**	**75**	**245**	**254**	**175**	**354**	**1,423**	**2,634**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	1	-	-	-	-	-	30	1	231	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	375	89	75	245	254	175	324	1,422	2,403	-
- Banks	*14*	*49*	*29*	*94*	*63*	*6*	*14*	*34*	*21*	-
- Customers	*361*	*40*	*46*	*151*	*191*	*169*	*310*	*1,388*	*2,382*	-
Cash liabilities	**269**	**63**	**73**	**180**	**661**	**27**	**9**	**82**	**205**	**-**
B.1 Deposits and current accounts	268	25	2	146	581	14	9	82	184	-
- Banks	*91*	*19*	*1*	*12*	*1*	-	*1*	*79*	*183*	-
- Customers	*177*	*6*	*1*	*134*	*580*	*14*	*8*	*3*	*1*	-
B.2 Debt securities	-	18	71	34	80	13	-	-	-	-
B.3 Other liabilities	1	20	-	-	-	-	-	-	21	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*266*	*6*	*204*	*129*	*44*	*22*	*226*	-	-
- Short positions	*50*	*380*	*569*	*1,006*	*1,005*	*246*	*86*	*1,379*	*6*	-
exchange of capital										
- Long positions	*22*	-	-	-	*101*	-	*2*	*4*	-	-
- Short positions	*24*	*34*	*19*	*34*	*135*	*307*	*726*	*5*	-	-
C.3 Deposits and loans to be settled										
- Long positions	*33*	-	-	-	-	-	-	-	-	-
- Short positions	*6*	*27*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*14*	*2*	-	-	*2*	-	-	-	-
- Short positions	*17*	-	-	-	-	*1*	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,919**	**1,091**	**627**	**799**	**1,953**	**1,749**	**1,775**	**3,299**	**2,195**	**49**
A.1 Government bonds	222	262	270	5	558	415	257	255	301	-
A.2 Other debt securities	51	236	5	17	103	269	184	153	81	-
A.3 Quotas of UCI	22	-	-	-	-	-	-	-	-	-
A.4 Loans	1,624	593	352	777	1,292	1,065	1,334	2,891	1,813	49
- Banks	*704*	*486*	*286*	*226*	*555*	*167*	*1*	*631*	*-*	*-*
- Customers	*920*	*107*	*66*	*551*	*737*	*898*	*1,333*	*2,260*	*1,813*	*49*
Cash liabilities	**3,794**	**779**	**476**	**1,200**	**1,925**	**921**	**1,076**	**1,522**	**1,085**	**4**
B.1 Deposits and current accounts	3,734	741	394	1,168	1,878	859	885	982	855	4
- Banks	*217*	*129*	*138*	*282*	*204*	*103*	*75*	*58*	*61*	*-*
- Customers	*3,517*	*612*	*256*	*886*	*1,674*	*756*	*810*	*924*	*794*	*4*
B.2 Debt securities	7	7	22	-	46	62	188	540	230	-
B.3 Other liabilities	53	31	60	32	1	-	3	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*22*	*1,361*	*742*	*990*	*2,476*	*405*	*1,188*	*568*	*193*	*-*
- Short positions	*115*	*1,769*	*427*	*1,050*	*2,349*	*710*	*901*	*864*	*190*	*-*
exchange of capital										
- Long positions	*143*	*-*	*28*	*15*	*846*	*237*	*408*	*950*	*64*	*-*
- Short positions	*139*	*48*	*44*	*14*	*573*	*169*	*353*	*924*	*63*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*192*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*5*
- Short positions	*-*	*192*	*-*	*2*	*5*	*6*	*6*	*2*	*1*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*193*	*2*	*-*	*1*	*109*	*5*	*29*	*1*	*63*
- Short positions	*193*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	1	21	2	18	-	15

2. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
A brief description of the existing transactions as at 31 December 2009 is provided below.

Adriano Finance

These involved securitisations carried out with the aid of two special purpose vehicles, Adriano Finance S.r.l. and Adriano Finance 2 S.r.l..
The first vehicle was used to carry out three tranches of securitisations:

- the first, in 2008, involving a portfolio of performing mortgages for an amount of around 8 billion euro, sold to the SPV, which issued RMBS notes for the same amount;
- the second, again in 2008, involving a portfolio of performing residential mortgages from the former Intesa network for an amount of around 6 billion euro, sold to the SPV, which issued RMBS notes for the same amount;
- the third, in 2009, involving a portfolio of performing residential mortgages for an amount of around 6 billion euro, sold to the SPV, which issued RMBS notes for the same amount.

As for the second vehicle, one securitisation was carried out in 2008 involving a portfolio of performing residential mortgages from the former Sanpaolo network for an amount of around 13 billion euro, sold to the SPV, which issued RMBS notes for the same amount.

SPQR II

These involved securitisations carried out by two Group companies, respectively Banca IMI and Banca Infrastrutture Innovazione e Sviluppo (BIIS).
The first related to a portfolio of securities recorded under financial assets held for trading issued by Italian and foreign banks, insurance companies, corporates and securitisation vehicles sold without recourse to the vehicle SPQR II S.r.l. for a total amount of 778 million euro, entirely subscribed at par by Banca IMI.
BIIS also carried out two securitisations through this vehicle:

- the first, in 2007, involving a portfolio of bonds issued by Italian public entities for an amount of around 2 billion euro, sold to the SPV, which issued securities for the same amount;
- the second, in 2008, involving a portfolio of bonds issued by Italian local authorities (municipal, provincial and regional) for an amount of around 1.3 billion euro, sold to the SPV, which issued securities for the same amount.

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2009
Adriano Finance S.r.l.				**19,536**
- of which first mortgage portfolio securitised (4 August 2008)	Senior	Performing mortgages	AAA	7,558
	Junior	Performing mortgages	no rating	440
- of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008)	Senior	Performing residential long-term mortgages	AAA	5,281
- of which third mortgage portfolio securitised (Adriano ter Securitisation) (20 July 2009)	Junior	Performing residential long-term mortgages	no rating	397
	Senior	Performing residential mortgages	AAA	5,297
	Junior	Performing residential mortgages	no rating	563
Adriano Finance 2 S.r.l.				**13,050**
	Senior	Performing residential mortgages	AAA	12,174
	Junior	Performing residential mortgages	no rating	876
SPQR II S.r.l.				**3,889**
- of which Banca IMI securitisation (July 2008)	Senior	Bonds issued by banks and SPVs	A	696
	Junior	Bonds issued by banks and SPVs	no rating	82
- of which first BIIS securitisation (November/December 2007) - CBO 1	Senior	Performing L&R issued by public entities(*)	A	1,714
	Junior	Performing L&R issued by public entities(*)	no rating	67
- di cui seconda cartolarizzazione BIIS (dicembre 2008) - CBO 2	Senior	Performing L&R issued by public entities(*)	A	1,238
	Junior	Performing L&R issued by public entities(*)	no rating	92
TOTAL				**36,475**

(*) With regard to the CBO1 transaction, securities sold by BIIS to the vehicle were originally classified in the AFS category. In 2008, as required by the amendment to IAS 39, such securities were reclassified in the L&R category.

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

Continuing the strategies adopted in previous years, the management of this portfolio is aimed at reducing the existing positions to the extent permitted by the activity in this market.
The fourth quarter of 2009 saw a continued narrowing of spreads and a significant recovery in trades, which enabled a further reduction in the trading portfolio of around 600 million euro, generating a positive impact on the income statement of around 10 million euro and confirming the robustness of the valuation framework used.
The positive signs that emerged in the second half of 2009 have been confirmed in the early months of 2010, although the weak economic situation is still giving cause for concern.
Additional uncertainty also exists about the performance of this asset class in 2010, due to the likelihood of the public support programmes for certain asset classes not being renewed, to the regulatory treatment of assets of this kind and to stricter eligibility requirements for their use for funding.

Highlights

Before describing the results as at 31 December 2009, please note that, in quantitative terms, the portfolio of investments in structured credit products fell by around a third compared to the end of last year. Despite having been downgraded by an increasing percentage over the year (around 27%), the quality of the positions held as at 31 December 2009 was still good, as shown by the following indicators:

- 73% of the exposure was Investment Grade, compared to 96% as at 31 December 2008;
- 39% of the exposure had a Super senior (4%) or AAA (35%) rating. The percentage of Super senior fell considerably compared to 31 December 2008;
- 27% had a BBB rating or less, compared to 4% as at 31 December 2008;
- 24% of the exposure had a pre-2005 vintage[1];
- 38% had a 2005 vintage;
- only 9% of the exposure related to the US Residential segment, and 21% to the US non-residential segment;
- the remaining exposure (70% of the total) was almost entirely (62%) European.

In terms of underlying contract types, just over half the exposure consisted of CLOs (34%) and CDOs (22%); the rest was almost entirely made up of ABSs (18%) and RMBSs (21%), with CMBSs representing 5% of the total.
With regard to valuation methods, unfunded positions were measured using the Mark-to-Model Approach (Level 3 of the Fair Value hierarchy) with the sole exception of positions on CMBX and LCDX indices, which were measured on the basis of the Comparable Approach (Level 2 of the Fair Value hierarchy). As for funded products, around 9% of the exposure was measured on the basis of Effective Market Quotes (Level 1), however, in 91% of cases, valuation methods were adopted. Specifically, 57% of the exposures were measured through the Comparable Approach (Level 2) and the remaining 34% through the Mark-to-Model Approach (Level 3). For more details of the valuation methods used see the description in Part A - Accounting policies – of the Notes to the consolidated financial statements.
The structured credit products are indicated by separating the part classified under financial assets held for trading or available for sale from those classified as Loans[2]. The tables illustrate the impact on the income statement of both aggregates.
The information set out below refers to the entire Group. Any effects and positions ascribable to entities other than the Parent Company are specifically highlighted in the comments and/or in the detailed tables.
In the summary tables provided below, table (a) sets out risk exposure as at 31 December 2009 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of the year, compared with the corresponding values recorded as at 31 December 2008.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged. For a more complete description of exposures of this type see the specific paragraphs (Monoline risk and Non monoline packages) and the relative tables.
The conversion into euro of values expressed in USD as at 31 December 2008 occurred at an exchange rate of 1.3917 euro per dollar and as at 31 December 2009 at an exchange rate of 1.4406 euro per dollar.

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

[2] This segregation is the result of the reclassification completed in 2008 after the IAS 39 amendments in October 2008. Added to these are the reclassifications of securities completed after the restructuring of unfunded positions during 2009.

Structured credit products: summary table

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	**31.12.2009**		**31.12.2008**	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**28**	**19**	**23**	**-4**
Contagion area	**164**	**-68**	**207**	**-166**
- Multisector CDOs	88	-71	125	-103
- Alt-A	-	-	-	-
- TruPS	76	3	82	-63
- Prime CMOs	-	-	-	-
Other structured credit products	**1,235**	**-27**	**3,056**	**-327**
- European/US ABS/CDOs	479	36	430	-53
- Unfunded super senior CDOs	834	-51	3,043	-249
- Other unfunded positions	-78	-12	-417	-25
Total	**1,427**	**-76**	**3,286**	**-497**
in addition to:				
Positions of funds	-	15	-	41
Total Financial assets held for trading	**1,427**	**-61**	**3,286**	**-456**

(millions of euro)

Loans	**31.12.2009**		**31.12.2008**	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**7**	**-1**	**6**	**-**
Contagion area	**107**	**-**	**138**	**-5**
- Multisector CDOs	15	-	12	-
- Alt-A	59	-	78	-2
- TruPS	-	-	-	-
- Prime CMOs	33	-	48	-3
Other structured credit products	**2,321**	**4**	**1,973**	**-57**
- Funded European/US ABS/CDOs	1,476	-11	1,729	-57
- Funded super senior CDOs	714	15	-	-
- Other Romulus funded securities	131	-	244	-
Total	**2,435**	**3**	**2,117**	**-62**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,435**	**3**	**2,117**	**-62**
TOTAL	**3,862**	**-58**	**5,403**	**-518**

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

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

b) Exposure in packages

(millions of euro)

Detailed table	31.12.2009		31.12.2008	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers (CDS fair value post write-down for CRA)**	**Income Statement** Profits (Losses) on trading
Monoline risk	10	31	-	-94
Non monoline packages	98	4	154	-
TOTAL	**108**	**35**	**154**	**-94**

Although a more detailed description of the various product performances is provided in the summary below, it is worth noting that the "long" position in US Subprimes increased slightly compared to the end of 2008 as a result of both the cancellation of positions in ABX indices taken to hedge the assets and the change in the allocation of an unfunded position between US Subprimes and the “Contagion Area”. Also, the restructuring of unfunded positions in 2009 reduced the weight of these positions in favour of funded positions within the "Other structured credit products", which were later classified under Loans and are less exposed to income statement volatility, whilst still maintaining the Intesa Sanpaolo Group risk profile. Furthermore, one position included in the first reporting boundary was moved from “Other structured credit products" to the “Contagion area", due to the increased weight of the US RMBS component within the collateral portfolio. 2009 also saw the early termination or natural expiry of numerous positions included in this segment. As a consequence, the risk exposure fell from 5,403 million euro as at 31 December 2008 to 3,862 million euro as at 31 December 2009.

In the context of the income statement, structured credit products improved, reaching -23 million euro as at 31 December 2009 (of which -58 million euro funded and unfunded ABS/CDOs and +35 million euro in package exposure).

Regarding the first of these, the impact affected “Profits (Losses) on trading – Caption 80” by -61 million euro (15 million euro of which attributable to fund positions). The negative result for this segment was essentially due to the negative contribution of funded and unfunded positions associated with the “Contagion Area” (-68 million as at 31 December 2009), only partly mitigated by the positive results in its related fund positions. The deterioration in this segment slowed down in the fourth quarter of 2009 (+8 million euro, including +5 million euro associated with fund positions) and should be considered in conjunction with the improvement in the US Subprime segment (19 million euro as at 31 December 2009, -2 million euro of which in the fourth quarter). The different impact of these two areas on the income statement was due to the change, during the year, in the proportion of US RMBSs as a percentage of the total collateral assets, to the alteration of the allocation of a position between the two segments and to the variation in the market data used for the estimates, which were affected by the narrowing of spreads in the late months of 2009. Added to this was the negative impact in 2009 of the unfunded positions included in the “Other structured credit products” (-63 million euro as at 31 December 2009, including -51 million euro from the unfunded super senior CDOs and -12 million euro from the other unfunded positions), which were affected by the downgrades and defaults of the assets within the collateral for these positions. These phenomena weakened towards the end of the year as shown by the practically nil contribution (+1 million euro) of this segment in the fourth quarter.

On the other hand, there was the positive contribution of European and US funded ABS/CDOs to profit/loss for the period as at 31 December 2009 (36 million euro). This result benefited mainly from the good portfolio performance of the subsidiary Banca IMI (21 million euro) and profits from the market disposal of a number of positions (14 million euro).

As at 31 December 2009 securities reclassified under the loan portfolio generated profits on market disposals of 12 million euro (including 2 million euro from European ABS/CDOs, -5 million euro from US ABS/CDOs and 15 million euro from funded super senior CDOs) and losses due to impairment of securities of 9 million euro (including 1 million euro from subprimes and 8 million euro from European ABS/CDOs).

The contribution of the “Monoline risk” and “Non-monoline packages” was also positive with a total result of 35 million euro as at 31 December 2009, thanks to the progressive reduction of exposure to counterparties and to a slight improvement in their creditworthiness.

As at 31 December 2009, this aggregate included bonds reclassified as loans for a total nominal value of 2,544 million euro and a risk exposure of 2,333 million euro[3]. This amount included 166 million euro for securities reclassified from available for sale to the loans portfolio. As at 31 December 2009 their fair value was 105 million euro. The positive impact of this reclassification on the Valuation reserve under Shareholders’ Equity was 61 million euro. The remaining 2,167 million euro was reclassified from the trading book to the loans portfolio. The fair value of this aggregate as at 31 December 2009 was 1,861 million euro, with a positive effect on the income statement of 306 million euro, 299 million euro of which referring to 31 December 2008. Had the loans portfolio not been reclassified, the negative result for structured credit products in 2009 would have been -30 million euro.

[3] Other securities for an amount of 102 million euro have been under the loan portfolio since initial recognition.

US subprime exposure

Although there is no universally agreed-upon definition of subprime mortgages, this expression generally refers to mortgaged lending with a higher level of risk because it has been granted to borrowers who have previously defaulted or the debt-to-income or loan-to-value ratio is high.

As at 31 December 2009, the Intesa Sanpaolo Group:

– did not have mortgages definable as subprime in its portfolio, as it is not the Group's policy to issue loans of this kind;
– did not issue guarantees connected to the aforementioned products.

That said, Intesa Sanpaolo uses the term US Subprime exposure to mean the products - cash investments (securities and funded CDOs) and derivative positions (unfunded CDOs) - with collateral mainly made up of US residential mortgages not in the "prime" sector (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar) granted in 2005/06/07, irrespective of the FICO score[4] and the Loan-to-Value[5] (LTV), and products with collateral made up of US residential mortgages granted before 2005, with a FICO score under 629 and a Loan-to-Value exceeding 90% (as was the case in 2008, the weight of this second class of products in the Intesa Sanpaolo Group's portfolio as at 31 December 2009 was not significant).

During 2009 the total exposure to US Subprime increased slightly, due to the cancellation of the hedging short positions taken in ABX indices and the change in the allocation of the collateral of an unfunded CDO included partly within this segment and partly in the "Contagion Area".

US subprime exposure

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded ABS	13	1	-	-	-	-
Funded CDOs	26	2	-	-	-	-
Unfunded super senior CDOs (1)	186	25	-	19	19	-2
Position on ABX indexes	-	-	-13	13	-	-
"Long" positions	**225**	**28**	**-13**	**32**	**19**	**-2**
	"long"	**"long"**				
Net position	**225**	**28**	**-13**	**32**	**19**	**-2**

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded ABS	-	-	-	-	-	-
Funded CDOs	8	4	-	-1	-1	-
Romulus-funded ABS/CDOs	3	3	-	-	-	-
"Long" positions	**11**	**7**	**-**	**-1**	**-1**	**-**
TOTAL	**236**	**35**	**-13**	**31**	**18**	**-2**

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

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

(1) With Mezzanine collateral. Including a position with underlying made up for approximately one third of subprime mortgages. This table includes the sole portion represented by subprime mortgages, whereas the residual exposure is reported in the "contagion" area.

The net nominal "long" position of 236 million euro as at 31 December 2009 compares with 269 million euro as at 31 December 2008. Moreover, positions on ABX indices included in the segment were also closed. In terms of risk exposure, a "long" position of 35 million euro (29 million euro as at 31 December 2008) which also included securities reclassified under the loan portfolio for 7 million euro (11 million euro in terms of nominal value) existed as at

[4] Indicator of the borrower's credit quality (usually between 300 and 850) used in the United States to classify credit, based on the statistical analysis of credit archives referred to individuals.

[5] The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

31 December 2009. The securities reclassified had a fair value, as at 31 December 2009, of 4 million euro[6]. The positive impact of the reclassification on the Valuation reserve under Shareholders' Equity was therefore 3 million euro[7].
During the year, the overall impact of these positions on the income statement totalled 19 million euro (-4 million euro as at 31 December 2008), of which -2 million euro in the fourth quarter. Moreover, a 1 million euro impairment loss was recognised under "Net losses/recoveries on impairment – caption 130a".
With regard to the Funded ABS component, 60% had a AAA, 15% a AA, 3% a BB and the remaining 22% a CCC/C rating. The original LTV was 91%, while average delinquency[8] at 30, 60 and 90 days amounted to 4%, 1% and 5% respectively. Cumulated loss equalled 30%.
These positions were not quoted on active markets and were measured using the Comparable Approach (Level 2) for the funded ABS component or the Mark-to-Model Approach (Level 3) for the funded and unfunded CDOs.

"Contagion" area
In 2009, one position already included in the segment was moved to this area and one CDO, classified under the Romulus vehicle loans portfolio at the end of 2008, was transferred to the Parent Company loans portfolio. A security was transferred to this segment, as a result of the early termination of a credit derivative hedging the security included in the "Monoline risk" area , because the related credit risk returned to being borne by the Intesa Sanpaolo Group. The segment results subject to "contagion effect", i.e. affected by the subprime mortgage crisis, can be summarised as follows:

i. ***Multisector CDOs***: products almost entirely represented by unfunded super senior CDOs, with collateral consisting of US RMBSs (76%), CMBSs (5%), CDOs (5%), HY CBOs (12%) and Consumer ABSs (2%).
   Over 65% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime risk (on average 3%).
   These were transactions with a CCC+ average rating and an average protection (attachment point[9]) of 6%.

[6] Of which 2 million euro refers to securities in the portfolio of the Romulus vehicle.
[7] Of which one million refers to securities included in the portfolio of the Romulus vehicle.
[8] Current state of irregular payments at 30, 60 and 90 days.
[9] Level over which a protection seller covers the losses of the protection buyer.

"Contagion" area: Multisector CDOs

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total whole year	Total *of which 4Q*
Funded CDOs	40	18	4	-1	3	*1*
Unfunded super senior CDOs	327	130	7	-68	-61	*1*
"Long" positions	**367**	**148**	**11**	**-69**	**-58**	**2**
CMBX hedges and derivatives	73	60	-11	-2	-13	*-1*
Positions of funds	**-**	**134**	**4**	**11**	**15**	**5**
Net position [(1)]	**"long" 294**	**"long" 88**	**4**	**-60**	**-56**	**6**

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total whole year	Total *of which 4Q*
Funded CDOs	6	5	-	-	-	-
Romulus-funded ABS/CDOs	13	10	-	-	-	-
"Long" positions	**19**	**15**	**-**	**-**	**-**	**-**
TOTAL	**313**	**103**	**4**	**-60**	**-56**	**6**

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

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

(1) The figures relating to the nominal value and exposure to risk do not include the positions of funds.

Taking into account write-downs, write-backs, CMBX and LCDX index hedges and a number of single-name credit default swap positions on associated names[10], the net risk exposure as at 31 December 2009 was 103 million euro, down on the 137 million euro as at 31 December 2008, as a result of the write-downs of the positions included in the segment. The exposure also included securities of 15 million euro (19 million euro in nominal value), partly in the portfolio of the Romulus vehicle and partly in the portfolio of the Parent Company, which were reclassified to the Loans category. As at 31 December 2009, the latter had a fair value of 11 million euro, with a positive impact of the reclassification on the Valuation reserve under Shareholders' Equity of 4 million euro[11].
During the year, the overall impact on the income statement ascribable to these positions (including those on CMBX and LCDX indices and other derivatives) was -71 million euro. The positive effect of the "long" positions in CDOs in 2009, arising from the slow recovery of the Commercial Real Estate market, was partially offset by the negative results of the indices and the existing hedging derivatives. Considering, for the sake of completeness, the Group's investment in funds, which had a positive impact on the income statement of 15 million euro, the impact on the income statement for the year 2009 amounted to -56 million euro, with an improvement of 6 million euro in the fourth quarter. These figures compare with the 62 million euro loss recorded as at 31 December 2008.
With the exception of the funded positions relating to the vehicle Romulus and the "short" hedging positions, this area included the unfunded instruments that were measured using the Mark-to-Model Approach (Level 3). The positions in funds were measured entirely using the Mark-to-Model Approach (Level 3).

ii. ***Alt-A - Alternative A Loans***: ABS (securities) with underlying US residential mortgages normally of high quality, but characterised by penalising factors, mostly relating to incomplete documentation that does not permit their classification under standard prime contracts.
The positions in the Group portfolio had a 2005 vintage and ratings of AAA (52%), AA (29%), A (10%), BB/B (8%) and C (1%).

[10] But not in positions of Funds.

[11] Of which 2 million euro refers to securities in the portfolio of the Romulus vehicle.

"Contagion" area: Alt-A - Alternative A Loans

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Other securities available for sale(1)	9	-	-	-	-	-
"Long" positions	**9**	**-**	**-**	**-**	**-**	**-**

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Alt-A Agency	32	31	-	-	-	-
Alt-A No Agency	34	28	-	-	-	-
"Long" positions	**66**	**59**	**-**	**-**	**-**	**-**
TOTAL	**75**	**59**	**-**	**-**	**-**	**-**

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

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

(1) Risk position classified among securities available for sale, attributed to the Parent Company.

The risk exposure as at 31 December 2009 amounted to 59 million euro, compared to 78 million euro as at 31 December 2008. The bonds included in this category were reclassified to the Loans caption. The nominal value of the securities reclassified was 66 million euro and the risk exposure amounted to 59 million euro. The securities had a fair value of 47 million euro and the positive impact of the reclassification as at 31 December 2009 was therefore 12 million euro.
The economic result for the segment as at 31 December 2009 was zero (-2 million as at 31 December 2008).
The Alt-A No Agency component had an original average LTV of 74% and average delinquency at 30, 60 and 90 days of 4%, 3% and 2% respectively. Cumulated loss equalled 6%.
They were measured on the basis of the Comparable Approach (Level 2).

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by US real estate trustees to finance residential or commercial initiatives. In 2009, an unfunded position in this segment was restructured through the purchase of a funded security and its reclassification to the trading book.
The positions in the Group's portfolio had a CCC+ rating (unfunded CDOs) and a BB/C rating (funded CDOs) and an average attachment point of 47%.

"Contagion" area: TruPS – Trust Preferred Securities of REITs

(millions of euro)

Financial assets held for trading	Position as at 31.12.2009		2009 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	97	28	-	-1	-1	-
Unfunded super senior CDOs	125	48	-	4	4	*2*
"Long" positions	**222**	**76**	**-**	**3**	**3**	***2***

(millions of euro)

Loans	Position as at 31.12.2009		2009 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**222**	**76**	**-**	**3**	**3**	**2**

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

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

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2009 was 76 million euro, compared to 82 million euro at 31 December 2008.
In the year, the overall impact on the income statement ascribable to these positions was 3 million euro, of which 2 million euro in the fourth quarter. These figures compared to a loss of 63 million euro recognised as at 31 December 2008. Since these were mainly unfunded positions, no financial instruments included within this category were reclassified.
The products in this segment were partly made up of unfunded super senior CDOs and partly of funded CDOs, written down by 66% of their nominal value on the basis of the Mark-to-Model Approach (Level 3).

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on US residential buildings.
They had a 2005 vintage and a AAA (42%) and AA (58%) rating.

"Contagion" area: Prime CMOs

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Prime CMOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Prime CMOs	36	33	-	-	-	-
"Long" positions	**36**	**33**	**-**	**-**	**-**	**-**
TOTAL	**36**	**33**	**-**	**-**	**-**	**-**

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

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

The risk exposure as at 31 December 2009 amounted to 33 million euro, slightly lower than at 31 December 2008 (48 million euro).
The bonds included in this aggregate were fully reclassified to the Loans category. As at 31 December 2009, their fair value was 25 million euro, with a positive impact from the reclassification of 8 million euro.
The economic result for the segment at 31 December 2009 was zero (-3 million at 31 December 2008).
The Prime CMOs component had an original average LTV of 65% and average delinquency at 30, 60 and 90 days of 1%, 0.4% and 0.3% respectively. Cumulated loss equalled 0.3%.
They were measured on the basis of the Comparable Approach (Level 2).

Monoline risk

Intesa Sanpaolo does not have any direct exposure to monoline insurers (insurance companies specialised in hedging the default risk of bonds issued by both public entities and the corporate sector) and only has indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions.
Intesa Sanpaolo's activities in packages are made up of the purchase of assets (typically bonds), whose credit risk is entirely hedged by a specific credit default swap (CDS). Therefore, these products only present counterparty risk referred to the entity which provided the hedge and their rationale lies in the possible existence of asymmetries between the cash and derivatives market, of the same underlying asset, which it is possible to use without direct exposure to market risks.
Both the security and the connected derivative have been measured using the Mark-to-Model approaches (level 3) also taking into account any available prices, if lower. These measurements did not have any impact on Profits (Losses) on trading – Caption 80, with the exception of those referred to the counterparty risk component, mostly due to transactions in which the hedge was stipulated with monoline insurers for which a credit risk adjustment has been calculated, determined on the basis of the cost of a protection CDS on the default of the monoline insurer, with nominal value equal to the current and potential future exposure (so-called add-on) and expiry equal to the average residual life of the underlying assets.
In 2009 the overall nominal value of the assets underlying these transactions decreased from 165 million euro to 96 million euro. Although the packages, as already mentioned above, do not entail a market risk associated with the nature of the underlying asset, for the sake of completeness please note that the assets making up the packages as at 31 December 2009 consisted of securities with US RMBS collateral with a significant subprime content[12].
As at 31 December 2009, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 40 million euro, compared to 84 million euro as at 31 December 2008. The positive impact on the income statement for the period was 28 million euro (of which 4 million euro in the fourth quarter), compared to a negative impact of 74 million

[12] The percentage in US subprime was 28.5%.

euro as at 31 December 2008. The dramatic turnabout was attributable to a sharp improvement in the credit rating of the counterparties which, in turn, led to the reduction in the corresponding write-down percentage applied.
Intesa Sanpaolo's activities in fully hedged derivatives are made up of the simultaneous purchase and sale of protection on the same reference entity (underlying asset) with two different counterparties. Also in this case, market risk generated by the underlying asset does not affect the bank which solely bears counterparty risk generated by the "short" position in the protection purchase. The rationale for these transactions lies in the possibility of exploiting certain segmentations in the international market, without incurring in directional risks. The overall exposure to monoline counterparties in this category was also reduced during the year.
As at 31 December 2009, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 24 million euro, similar to the figure as at 31 December 2008. The positive impact on the income statement was 3 million euro, compared to a negative impact of 20 million euro in the previous year.
In conclusion, as at 31 December 2009, the credit risk exposure with monoline insurers due to counterparty risk amounted to 64 million euro, compared to 111 million euro as at 31 December 2008. The positive impact on the income statement for the year was 31 million euro (of which 4 million euro in the fourth quarter), compared to write-downs of 94 million euro as at 31 December 2008.
Please note that protection single name CDSs amounting to approximately 17 million euro (32 million euro as at 31 December 2008) have also been purchased and that 97% of the exposure to monoline insurers referred to MBIA, while the remaining 3% referred to other monoline insurers with a AA rating.

Monoline risk

(millions of euro)

Product	Position as at 31.12.2009				2009 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA)	**Fair value of the hedge with monoline insurers**	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	96	56	40	8	28	*4*
Sub-total	**96**	**56**	**40**	**8**	**28**	***4***
Positions in other derivatives:						
Other underlying assets	116	92	24	2	3	-
TOTAL	**212**	**148**	**64**	**10**	**31**	***4***

Lastly, for the sake of completeness, please note that there is another form of exposure to monoline insurers, which, however, does not generate particular risk situations. It stems from the investment in securities for which the monoline insurer provides a credit enhancement[13] to the issuing vehicle, for the purpose of making the issue "eligible" for certain types of investors through the achievement of a certain rating (normally AAA). The securities in question[14], with a nominal value as at 31 December 2009 of 534 million euro (529 million euro as at 31 December 2008), consisted of ABSs with underlying Italian health receivables, also supported by delegated regional payments, and financings of infrastructures. They were all recorded in the banking book, almost entirely in the Loans & Receivables (L&R) portfolio. Despite the downgrading of many of the monolines, there were no deteriorations in the creditworthiness of single issuers/borrowers sufficient to warrant the application of particular measures such as prudential provisions. This was because the positions were granted primarily on the basis of the creditworthiness of the underlying borrower. In this regard, please note that all of these issues have maintained an investment grade rating.

[13] Techniques or instruments used by an issuer to improve the rating of its issues (establishment of deposits for guarantee, granting of liquidity lines, etc.).
[14] Held entirely by Banca Infrastrutture Innovazione e Sviluppo.

Non-monoline packages

This category includes packages with assets covered by specific hedges entered into with leading international banks with AA, A, BBB, BB and B ratings, the majority of which are the subject of specific collateral agreements. The underlying assets are mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 17%).

Non-monoline packages

(millions of euro)

Product	Position as at 31.12.2009				2009 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA	**Fair value write-down of the hedge**	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	460	360	100	98	4	-
TOTAL	**460**	**360**	**100**	**98**	**4**	**-**

As at 31 December 2009, these positions amounted to 460 million euro in terms of nominal value, compared to 558 million euro as at 31 December 2008. As at the same date, the credit risk exposure to counterparties of the transactions included in the aggregate amounted to 100 million euro (160 million euro as at 31 December 2008) and were written down by 2 million euro (6 million euro as at 31 December 2008) as a result of systematic adjustments made on the entire universe of derivatives to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum counterparty risk[15]. The positive impact on the income statement for the period was 4 million euro (compared to nil as at 31 December 2008). The improvement during the year was due to the reduction in credit risk exposure to counterparties and to the decrease in provision percentage applied.
These positions were measured using the Mark-to-Model Approach (Level 3).

Other structured credit products

Starting from the end of 2008, the structured credit products segment with underlying instruments not originating in the USA, have been subject to the heaviest write-downs due to the spread of the crisis. To reduce the income statement volatility connected to this segment, in 2009 Intesa Sanpaolo adopted a restructuring policy for unfunded positions included in the aggregate and their replacement with funded positions. These transactions did not result in any change to Intesa Sanpaolo's exposure to risk. The funded nature of the new risk positions, also given the "rare circumstances", allowed their reclassification to the loans portfolio, at the fair value of the security as at the time of category transfer.
The various types of product attributable to this last segment are described below. In 2009 they had a negative impact on the income statement of 23 million euro, with a 4 million euro contribution in the fourth quarter, compared to a 384 million euro loss recorded as at 31 December 2008.

i. ***Funded/Unfunded ABSs/CDOs:*** the European ABS/CDOs portfolio consisted of 15% of ABSs of receivables (Credit Card, Leasing, Personal Loans, etc.), 38% RMBSs (of which around 41% are Italian), 12% CMBSs, 13% CDOs and 22% CLOs[16] (mainly of small and medium enterprises). This portfolio was characterised by high credit quality (AAA 41%, AA/A 48%, BBB/BB/B 11%). The collateral of the CMBS portfolio was mostly made up of Offices (51%), Retail/Shopping Centres (20%), Mixed Use (16%), Health Care (8%), Hospitality/Multifamily (4%) and Industrial (1%). The measurement of the European ABS/CDOs portfolio was based on Effective Market Quotes (Level 1) in 15% of cases, on the Comparable Approach (Level 2) in 72% of cases, and on the Mark-to-Model (Level 3) for the remaining 13%. As regards the US ABS/CDO portfolio, on the other hand, these were securities with US underlying, with collateral represented by Credit Cards (1%) and CLOs (99%). It was made up of 80% of AAA positions and 20% AA. The measurement of the US ABS/CDOs portfolio was based on the Comparable Approach (Level 2) in 21% of cases and on the Mark-to-Model (Level 3) for the remaining 79%.

[15] Also due to the presence of many transactions which have a specific collateral agreement.

[16] They also include an unfunded position held by Banca IMI, with a nominal value of 25 million euro and risk exposure for the same amount.

- European ABSs/CDOs classified in the trading book.
  As at 31 December 2009 this portfolio had a total nominal value of 575 million euro[17] (477 million euro as at 31 December 2008), with risk exposure of 479 million euro[18] (424 million euro as at 31 December 2008). As at the same date, the related impact on the income statement was a positive 24 million euro, of which 16 million euro refers to realised income and 8 million euro to write-backs. This figure compared with the -35 million euro as at 31 December 2008. The positive effect was related to the strategy to reduce the exposure in structured credit products by selling certain assets included in the segment and to the improvement of spreads on the market.
- European ABSs/CDOs classified under loans.
  The nominal value of the portfolio as at 31 December 2009 was 1,583 million euro[19] (1,840 million euro as at 31 December 2008) with a risk exposure of 1,468 million euro[20] (1,686 million euro as at 31 December 2008). As at 31 December 2009, the securities in this portfolio had a fair value of 1,079 million euro. The positive effect of reclassification in the loans portfolio was 282 million euro as at 31 December 2009[21]**.** During the year 2009, part of the portfolio was disposed of. These transactions generated profits of approximately 2 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a". Moreover, impairment losses were recognised on certain securities included in the segment. The negative impact on the income statement (8 million euro[22] as at 31 December 2009) was recognised under "Net losses/write-backs on impairment – caption 130a".
  The overall impact of this aggregate on the income statement was negative by 6 million euro as at 31 December 2009. However, it did not affect "Profits (Losses) on trading – caption 80". The figure should be compared with write-downs of -57 million euro recognised at the end of 2008.
- US ABSs/CDOs classified in the trading book.
  These were securities with US underlying sold in the market during the year. They had a nominal value of 18 million euro as at 31 December 2008 and a risk exposure of 6 million euro. The impact on the income statement was positive by 12 million euro (-18 million euro for 2008) and resulted from the abovementioned sale.
- US ABSs/CDOs classified under loans.
  This aggregate included securities with a nominal value of 8 million euro (48 million euro as at 31 December 2008) and with a risk exposure for the same amount (43 million euro as at 31 December 2008). At the end of 2009 the fair value of these securities was 7 million euro. The positive impact of their classification to the loans portfolio on the income statement was 1 million euro as at 31 December 2009.
- Funded super senior corporate risk CDOs
  These are funded positions classified to the loans portfolio that derive from the restructuring of unfunded positions as at 31 December 2008. The securities with a nominal value as at 31 December 2009 of 769 million euro had a risk exposure of 714 million euro. The overall impact on the income statement was nil with respect to "Profits (Losses) on trading – caption 80". However, the disposal of securities following the restructuring of unfunded positions, generated a profit of 15 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a".
  At the same date, the securities in portfolio had a fair value of 711 million euro. The negative impact of their classification in the loan portfolio was 3 million euro.

ii. *Funded ABS/CDOs ascribable to the Romulus vehicle*
These securities were classified as loans. The underlying is mainly US: Credit Card, Leveraged Loan, Student Loan and Corporate Risk. As at 31 December 2009, they had a nominal value of 158 million euro (282 million euro as at 31 December 2008). The securities included in this aggregate had a fair value of 82 million euro as at 31 December 2009 and the positive impact on Shareholders' Equity solely associated with the change in fair value was 49 million euro. The portfolio consisted of exposures with AAA (13%), AA (14%), BBB (13%), BB (31%) and B (29%) rating.
The securities were measured on the basis of the Comparable Approach (Level 2) in 17% of cases and of the Mark-to-Model (Level 3) for the remaining 83%.

iii. *Unfunded super senior Multisector CDOs*
The nominal value of this component was nil as at 31 December 2009 (790 million euro as at 31 December 2008) as a result of the disposals during the year. As a consequence, the related impact on the income statement consisted entirely of realised charges and amounted to -34 million euro, with -4 million euro incurred in the fourth quarter, compared to a loss of 65 million euro as at 31 December 2008.

[17] Of which 502 million euro pertaining to Banca IMI (477 million funded positions and 25 million unfunded positions), 1 million euro pertaining to Carifirenze (classified under assets available for sale), 9 million euro pertaining to Sud Polo Vita (8 million classified under assets available for sale and 1 million classified in the trading book) and 42 million euro pertaining to Eurizon Vita (classified under assets available for sale).

[18] Of which 441 million euro pertaining to Banca IMI (416 million funded positions and 25 million unfunded positions), 5 million euro pertaining to Sud Polo Vita (of which 1 million classified in the trading book and 4 million classified under assets available for sale) and 24 million euro pertaining to Eurizon Vita (classified under assets available for sale).

[19] Of which 175 million euro pertaining to Banca IMI, 8 million euro to Carifirenze (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 3 million euro), 113 million euro attributable to Banca Fideuram and Eurotresorerie (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 2 million euro) and 2 million euro attributable to Eurizon Vita (no benefit from the reclassification to the Valuation reserve under Shareholders' Equity).

[20] Of which 1,366 million euro resulting from reclassification and 102 million euro classified under the loan portfolio since initial recognition.

[21] In addition to a benefit of 5 million euro for the Valuation reserve under Shareholders' equity as a result of the reclassification of the financial assets available for sale to the loan portfolio.

[22] Including 2 million euro attributable to a security on the Carifirenze portfolio.

iv. Unfunded super senior Corporate Risk CDOs

The super seniors in this residual category were mainly characterised by collateral subject to corporate risk and had a nominal value of 924 million euro as at 31 December 2009 (2,596 million euro as at 31 December 2008). The decrease in exposure was due to the progressive restructuring of the unfunded positions included in the segment, turning them into funded positions, classified as loans. More specifically, the US collateral component was 25% (mainly represented by CDOs, 46%), the European component was 59% (of which 74% referred to Italian consumer credit and 26% to CDOs) and the emerging markets' component was 16% (project finance). These structures had an average attachment point of 31%. During the year, the related impact on the income statement was -17 million euro (15 million euro from realised income and -32 million euro from write-downs), 4 million euro of which in the fourth quarter. This loss compared with the negative figure recorded as at 31 December 2008 of -184 million euro.

These positions were measured on a Mark-to-Model (Level 3) basis.

The deterioration was due in small part to the widening in the spreads and for the most part to the forecast for the performance of the US and European leveraged loan market.

v. Other unfunded positions

This is a portfolio of generally "short" unfunded CDOs, almost entirely in mezzanine tranches with mainly European underlying, with a total nominal value of 64 million euro as at 31 December 2009. The exposure was considerably lower than the 396 million euro as at 31 December 2008, due to the early termination or natural expiry of the positions included in the segment. In 2009, the relative impact on the income statement was -12 million euro (-7 million euro from net realised charges, -5 million euro from valuations), with a 1 million euro positive contribution in the fourth quarter. This figure compared with a 25 million euro loss as at 31 December 2008.

These positions were measured on a Mark-to-Model (Level 3) basis.

Other structured credit products

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2009**		**2009 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
European ABS/CDOs	575	479	16	8	24	*-1*
Funded US ABS/CDOs	-	-	12	-	12	*-*
Unfunded super senior multisector CDOs	-	-	-34	-	-34	*-4*
Unfunded super senior corporate risk CDOs	924	834	15	-32	-17	*4*
Other unfunded "short" positions	-64	-78	-7	-5	-12	*1*
"Long" positions	**1,435**	**1,235**	**2**	**-29**	**-27**	**-**

(millions of euro)

Loans	**Position as at 31.12.2009**		**2009 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded European ABS/CDOs	1,583	1,468	2	-8	-6	*-2*
Funded US ABS/CDOs	8	8	-5	-	-5	*-5*
Funded Romulus vehicle ABS/CDOs	158	131	-	-	-	*-*
Funded super senior corporate risk CDOs	769	714	15	-	15	*3*
"Long" positions	**2,518**	**2,321**	**12**	**-8**	**4**	**-4**
TOTAL	**3,953**	**3,556**	**14**	**-37**	**-23**	**-4**

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

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

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities:
– to raise funds on the market by issuing specific financial instruments;
– to acquire, sell and manage specific assets, separating them from the financial statements of the Originator;
– to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
– to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt;
– to manage the credit risk connected to their portfolio of financial assets through protection purchases and sales with counterparties represented by SPEs (used by both the American market and the European market for synthetic portfolio securitisations). In such transactions the Bank accepts credit risk or counterparty risk with the SPEs, depending on the nature of the transaction.

The sponsor of the transaction is normally an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising funds, securitising its assets or offering customers a financial service. There are no changes in the scope of consolidation with respect to those adopted in the previous year.

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent company.
These SPEs, which are controlled by Intesa Sanpaolo and are therefore part of the Group's scope of consolidation as per IAS 27, are: Intesa Funding LLC, Sanpaolo IMI US Financial Co., IntesaBCI Preferred Capital Company LLC III and Sanpaolo IMI Capital Company LLC 1. All these SPEs are based in the USA.
The table below shows the information and figures for these vehicles as at 31 December 2009.

(millions of euro)

FUNDING SPEs		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	6,158	-	-	-	(1)	5,339	6,158			
SANPAOLO IMI US FINANCIAL CO.	Funding	4,139	-	-	-	(1)	5,576	4,139			
INTESABCI PREFERRED CAPITAL CO. LLC	Funding	529	-	-	-	(1)	500	510			
SANPAOLO IMI CAPITAL CO. LLC 1	Funding	1,056	-	-	-	(1)	1,000	1,000			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of these vehicles were almost entirely made up of loans to Intesa Sanpaolo.
Total funding of SPEs above had an incidence of approximately 3% on total direct customer deposits in consolidated financial statements.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of Eurizon Vita and Eurizon Life who retain the majority of the risks and rewards; SPEs for insurance products are consolidated according to IAS 27 / SIC 12.
In the Group there are 55 entities of this type with total net assets of approximately 10 billion euro (of which 9 billion euro relative to funds that report to Fideuram Gestions).
With respect to the breakdown of assets, no significant changes should be noted compared with the figure recorded in the financial statements as at 31 December 2008. In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs represented around 1.6% of the Group's total consolidated assets.

Securitisation SPEs

These are funding SPEs that enable an entity to raise funds through the securitisation of part of its assets. Specifically, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle, which, to finance the purchase, issues securities later placed on the market or through a private placement. The resources raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold.
SPEs of this type that were part of the scope of consolidation as at 31 December 2009 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.A., Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Intesa SEC NPL S.p.a., Intesa Lease SEC S.r.l., Split 2 S.r.l., ISP CB Pubblico S.r.l., Adriano Finance S.r.l. (Series 1, 2 and 3) and Adriano Finance 2 S.r.l.. This category also included the companies ISP CB Ipotecario S.r.l. and ISP Sec 4 S.r.l., which were not operational as at 31 December 2009, and the vehicle Adriano Finance 3 S.r.l., which was in a stand-by status as at 31 December 2009.
These companies, incorporated under Italian law, were used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies. In the case of ISP CB

Pubblico S.r.l. the sale of the assets to the vehicle was aimed at implementing a covered bond issue programme. More specifically, this transaction involved the sale of performing loans from Banca Infrastrutture Innovazione e Sviluppo (BIIS) to the vehicle, which funded the purchase through a subordinated loan granted by BIIS. The first tranche of the covered bond issue was carried out by ISP at the end of July 2009 and was fully subscribed by BIIS, which used the securities for European Central Bank refinancing operations.
Augusto, Colombo and Diocleziano are securitisation vehicles for assets, primarily funding long-term mortgages and public works, of companies subject to joint control and later sold.
The securities held by Intesa Sanpaolo or by Group companies have been measured at fair value, as in previous years, except for the securities issued by the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. that were classified under the loan portfolio and were therefore valued at amortised cost.
The table below shows the information and figures for these vehicles as at 31 December 2009.

(millions of euro)

SECURITISATION SPEs	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA SEC SPA [1]	performing mortgages	14	-	-	-	Guarantee agreement (12)	13	11	7	AFS	Fair value
INTESA SEC 2 SRL [2]	residential mortgages	399	1	-	-	-	-	348	38	HFT - Loans	Fair value/ amortised cost
INTESA SEC 3 SRL [3]	residential mortgages	2,110	-	-	-	-	-	2,029	175	HFT - Loans	Fair value/ amortised cost
INTESA SEC NPL SPA [4]	non-performing loans	82	-	-	-	-	-	158	50	AFS - Loans	Fair value/ amortised cost
INTESA LEASE SEC SRL [5]	leasing contracts	151	4	-	-	-	-	132	2	HFT	Fair value
SPLIT 2 SRL	performing leasing contracts	457	-	-	-	-	-	443	40	Loans - HFT - HTM	Fair value/ amortised cost
ISP CB IPOTECARIO SRL [6]	mortgaged loans	(11)	-	-	-	-	-	-	-		
ISP CB PUBBLICO SRL [6]	public entities financing	3,887	-	3,790	3,790	-	-	3,000	3,000	Loans	Amortised cost
ISP SEC 4 SRL	performing residential mortgages	(11)	-	-	-	-	-	-	-		
ADRIANO FINANCE SRL - Series 1 [7]	performing residential mortgages	8,286	1	-	-	-	-	7,998	7,998	Loans	Amortised cost
ADRIANO FINANCE SRL - Series 2 [8]	performing residential mortgages	5,948	3	-	-	-	-	5,679	5,679	Loans	Amortised cost
ADRIANO FINANCE SRL - Series 3 [9]	performing residential mortgages	6,156	3	-	-	-	-	5,860	5,860	Loans	Amortised cost
ADRIANO FINANCE 2 SRL[10]	performing residential mortgages	13,700	10	-	-	-	-	13,050	13,050	Loans	Amortised cost
CR Firenze Mutui S.r.l.	performing residential mortgages	157	-	-	-	-	-	147	6	Loans	Amortised cost
AUGUSTO SRL [13]	long-term mortgages (100%)	37	11	-	-	-	-	46	23	AFS	Fair value
COLOMBO SRL	public works financing	112	8	-	-	Subordinated financing	5	96	-	-	-
DIOCLEZIANO SRL	long-term mortgages(82%) Public works (12%) Indus. (6%)	125	28	-	-	-	-	147	73	AFS	Fair value

(1) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. A swap contract exists as interest rate risk hedge.

(2) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. The residual of the deferred fixed price amounts to 6 million euro at 31 December 2009. A swap contract exists as interest rate risk hedge.

(3) ISP granted limited recourse subordinated financing of 23 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. A swap contract signed with ISP exists as interest rate risk hedge.

(4) ISP granted a guarantee and indemnity contract of 1 million euro, in case of declarations or guarantees which lead to a reduction in loan value. In addition, the bank is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. The subordinated financing amounts to 2 million euro. Cumulated losses shall be absorbed by tranches E (equity) and D held by ISP whose value was adjusted both in the current and in previous years. An Interest Rate Cap contract and Interest Rate Floor contract exist as interest rate risk hedge.

(5) The company has entered into a swap contract as interest rate risk hedge.

(6) These vehicles were set up pursuant to art. 7-bis of Italian Law 130/99. Therefore they do not issue securities, but guarantees to bondholders (Covered Bonds) issued by Intesa Sanpaolo.

(7) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve as required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (440 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(8) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (398 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(9) ISP granted limited recourse subordinated financing of 75 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (563 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(10) ISP granted limited recourse subordinated financing of 150 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (876 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(11) Established companies not yet operative as at 31 December 2009.

(12) Guarantee given by ISP to Calyon Milano amounting to 13 million euro as guarantee of a liquidity line granted for the same amount in favour of the vehicle by Calyon Milano.

(13) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues.

The IAS rules on first time adoption (IFRS 1) and the derecognition of financial assets and liabilities have been applied in full to the securitisations.

The securitised assets of this type of vehicle consisted of the following:
– Intesa SEC S.p.a. - performing mortgages;
– Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. - performing residential mortgages;
– Intesa SEC NPL S.p.a. - non-performing mortgages;
– Intesa Lease SEC S.r.l. and Split 2 S.r.l. - performing loans arising from leasing contracts.

The vehicle's remaining cash commitments were in addition to the above assets.
The total assets of Augusto, Colombo and Diocleziano were instead almost entirely made up of land financing or receivables for public works.
The total assets of the consolidated SPEs not derecognised (Intesa SEC 3 S.r.l., Split 2 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l., ISP CB Pubblico S.r.l.) represented around 6% of the total consolidated assets.

To complete the information, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages) pertaining to the Carifirenze Group, should also be mentioned. This vehicle, consolidated at equity, had total securitised assets as at 31 December 2009 of 142 million euro.
Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:
- Romulus Funding Corporation, a company based in the USA that purchases financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and finances purchases by issuing Asset-Backed Commercial Papers;
- Duomo Funding PLC, an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

The table below shows the information and figures for the above two vehicles as at 31 December 2009.

(millions of euro)

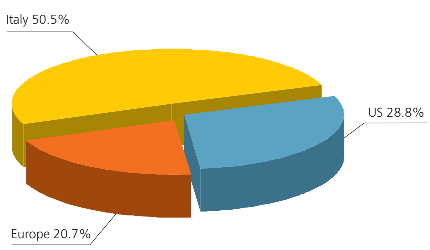
ROMULUS AND DUOMO		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset back commercial paper conduit	1,810 [(1)]		649	76	Letter of credit	122	1,766	-	-	-
DUOMO FUNDING CORP.	purchase of assets and Romulus financing	1,203	-	1,328	-		-	-	-	-	-

[(1)] of which 1,192 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.

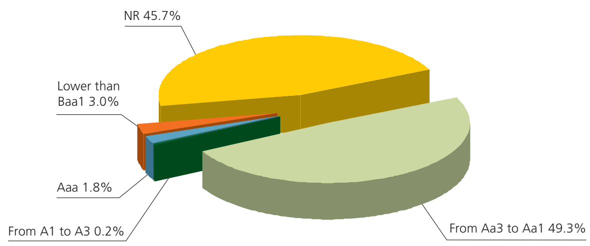
The total assets of the vehicle Romulus included loans to Duomo of 1,192 million euro. The vehicle's securities portfolio was classified entirely under the loans category. As at 31 December 2009, these securities had a nominal value of 174 million euro, measured at amortised cost. Their carrying amount as at the same date was 145 million euro. This vehicle's assets also contributed 1 million euro to liquidity and other assets, in addition to the 12 million euro from the positive fair value of hedging derivatives.
The total assets of Duomo were made up of 489 million euro of loans to Intesa Sanpaolo, as collateral for an intragroup protection sale on the risk of a leading insurance company, 124 million euro of loans to the banking subsidiary Intesa Sanpaolo Bank Ireland, 587 million euro of loans to customers, and 3 million euro of liquidity and other assets.
The total assets of the above SPEs represented around 0.5% of the total consolidated assets.

The following additional information is provided concerning the portfolios of assets held by the two vehicles:

Breakdown by geographical area



Breakdown of assets by rating



Please note that, although part of the uses (approximately 49%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were nevertheless of sufficient quality for the commercial papers issued by Romulus to maintain the A-1+/P-1 ratings. More specifically, the percentage of assets with a rating between Aaa and Aa decreased slightly from around 55% as at 31 December 2008 to 48% as at 31 December 2009. Despite the fact that the rating of some of the securities was downgraded, the average quality of the portfolio was maintained through the acquisition of high credit quality assets.
The securities classified in the loan portfolio under discussion were made up as follows: 24% of 2002 vintage, 14% of 2003 vintage, and the remaining 62% of 2007 vintage.

Intesa Sanpaolo did not hold any stake in SPQR II S.r.l., a company that was consolidated because the Group had retained the majority of costs and benefits (SIC 12).
The table below shows the information and figures for these vehicle as at 31 December 2009.

(millions of euro)

SPQR II S.r.l.		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
SPQR II SRL (CBO 1)	Performing Loans & Receivables	1,833	-	50	-	-	-	1,781	1,781	Loans (1) (2)	Amortised cost
SPQR II SRL (CBO 2)	Performing Loans & Receivables	1,355	-	100	-	-	-	1,330	1,330	Loans (1)	Amortised cost
SPQR II SRL (Banca IMI)	Securities issued by banks and SPVs	773	-	100	-	-	-	778	778	Loans	Amortised cost

(1) The category refers to securitised loans which, in accordance with the "no derecognition" rule of IAS 39, are the only securities of this kind recognised in the IAS-compliant financial statements of BIIS and the ISP Group. The securities issued by the SPV are subject to the no derecognition rule in both the separate BIIS financial statements and the consolidated financial statements of the ISP Group.

(2) BIIS has reclassified these securities, originally classified as AFS, to the loans portfolio pursuant to paragraph 50E of the revised IAS 39. This reclassification was recorded in the Interim Statement as at 30 September 2008.

The assets of the vehicles were almost entirely made up of a portfolio of bonds issued by Italian public entities, banks and SPVs, with a nominal value of around 4 billion euro, sold to the vehicles by Banca Infrastrutture Innovazione e Sviluppo (formerly Banca OPI) and Banca IMI. These vehicles, in turn, issued senior and junior bonds and both types of securities were repurchased by the abovementioned companies, which designated the senior classes as collateral for their funding with the European Central Bank, via transactions conducted through Intesa Sanpaolo.
The total assets of securitisation SPEs represented around 0.6% of the total consolidated assets.
Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle "Da Vinci" (to hedge and actively manage risk exposure in the aircraft and aeronautic sector).
As at 31 December 2009 the Group's exposure to the vehicle Da Vinci was 2 million euro, consisting entirely of securities.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
Intesa Sanpaolo controls and consolidates Intesa Investimenti S.p.a., a company established to invest in quotas of Italian and international UCITS, in quotas and shares of other Italian and international entities and in Government securities of G8 countries, with the simultaneous subscription of a commitment to resell at a future date and at a predetermined price. This company is currently in a stand-by status.
The shareholders' equity of the company is entirely deposited with Intesa Sanpaolo.

(millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,047	-	-	-	-	-	-	-		

The assets of the vehicle are almost entirely made up of term deposits with the Parent company Intesa Sanpaolo.
The SPEs of this type also included Lunar Funding Plc., a vehicle set up in Ireland and used for repackaging operations by a leading bank, which was added to the scope of consolidation.

Project Financing SPEs

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the entrepreneurial idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.
Such vehicles are established by sponsor entrepreneurs, mostly abroad to benefit from operating and legal/bureaucratic efficiency.
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, as the Bank does not hold any stake or interest in the share capital of these companies and does not have any control over them. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

Asset Backed SPEs

These are transactions aimed at acquisition / construction / management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend on the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the real guarantee for the financing obtained from the vehicle.

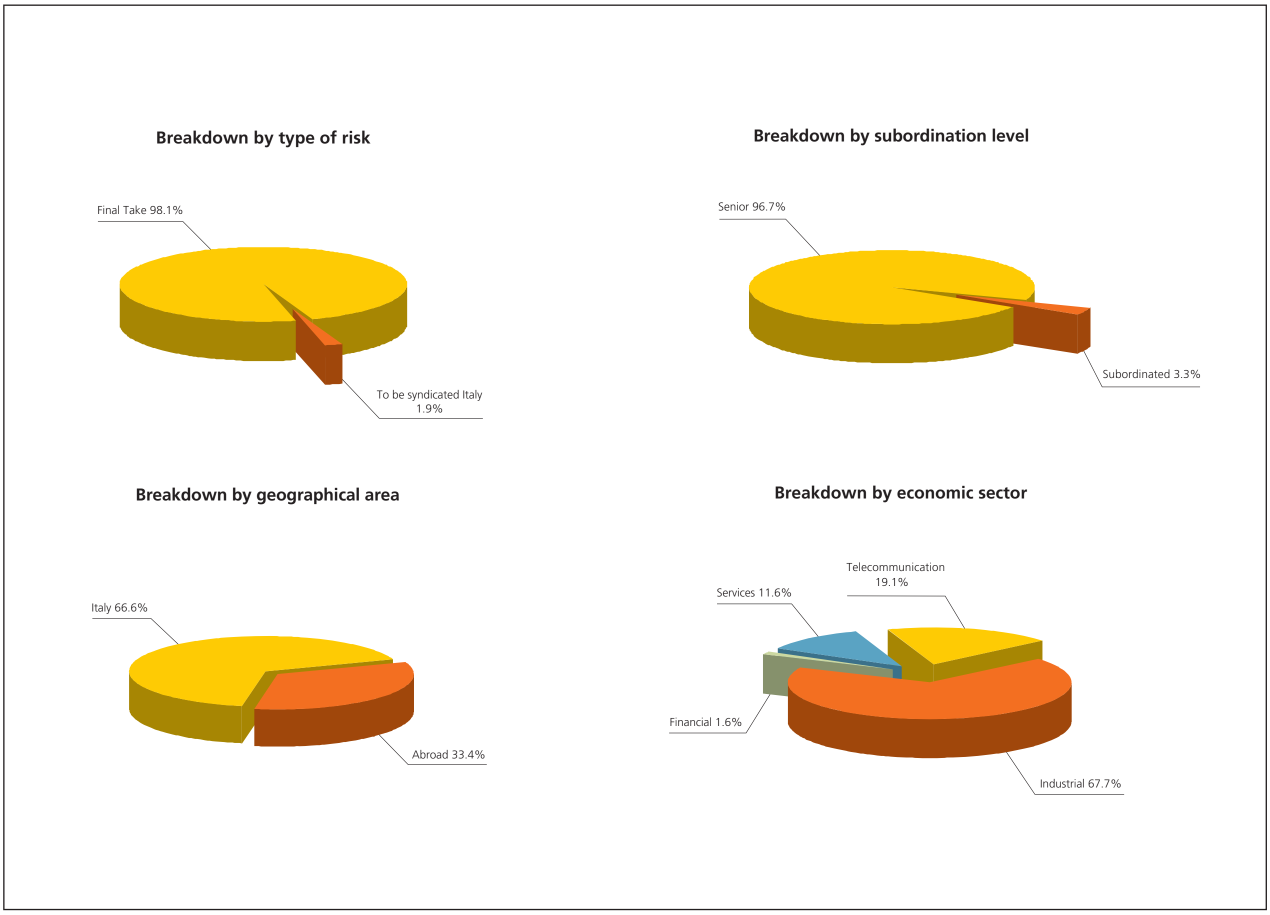
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.
The Group consolidates only those entities in which it holds the majority of voting rights. The SPEs of this type are held solely by an international subsidiary (the volume of this type of assets amounted to approximately 97 million euro as at 31 December 2009).

Leveraged & Acquisition Finance SPEs
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivatives SPEs
Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from an SPE to the Bank, both by the simple sale of protection derivatives or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers the Bank the possibility of hedging risk on portfolios of assets.
There are never equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are never any equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and benefits deriving from the activities of the vehicle.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 December 2009, around 110 transactions, for a total amount granted of 5,239 million euro, met the above definition.
These exposures are classified under the loan portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

As at 31 December 2009, the hedge funds portfolio totalled 740 million euro, compared to the 852 million euro as at the 2008 year-end. The decrease was due to sales of units for a total nominal value of 321 million euro.
At the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments continued to be positive at 135 million (including 15 million euro in the structured credit products disclosure). Of these net profits:
- 31 million euro are related to profits on trading of funds for the year (including 4 million euro in the structured credit products disclosure);
- 114 million euro are related to net valuations of positions remaining at the year-end (including 11 million euro in the structured credit products disclosure);
- 10 million euro are related to other net charges.

Taking into account the net capital gains on the final residual amount (114 million euro), these were spread across 48 positions, 12 of which recording capital losses (-34 million euro) and 36 capital gains (148 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through three main poles (in terms of volumes traded):

- Banca dei Territori Division, for the sale of derivative products to retail and corporate customers with consolidated turnover under 150 million euro, through the branch network of Intesa Sanpaolo and of the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
- Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks. Derivatives sold by the network are hedged back to back with Banca IMI;
- Public Finance Business Unit, for the sale of derivative products to public entities, through Banca Infrastrutture Innovazione e Sviluppo. Derivatives sold are hedged back to back with Banca IMI.

Customer needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or the hedging of financial risks, with a few typical differences:
   i) companies enter into derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not enter into derivatives explicitly with the Intesa Sanpaolo Group as a counterparty.
2) customers of the Corporate Division (mostly large businesses, mainly qualified operators) enter into derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of Public Administration, served by Banca Infrastrutture Innovazione e Sviluppo, enter into derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility that sign contracts with customers (essentially, Intesa Sanpaolo, network banks, as well as Banca Infrastrutture Innovazione e Sviluppo) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, in respect of assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering only relations with customers, as at 31 December 2009, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), recorded a positive fair value, gross of netting arrangements, of 3,008 million euro (2,524 million euro as at 31 December 2008). The notional value of such derivatives totalled 47,107 million euro (47,076 million euro as at 31 December 2008). Of these, the notional value of plain vanilla contracts was 32,925 million euro (32,590 million euro as at 31 December 2008), and of structured contracts was 14,182 million euro (14,486 million euro as at 31 December 2008).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 253 million euro (221 million euro as at 31 December 2008). The same indicator, referred to the total contracts with a positive fair value, was 1,117 million euro.

Conversely, the negative fair value determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 327 million euro as at 31 December 2009 (443 million as at 31 December 2008). The notional value of such derivatives totalled 8,321 million euro (11,759 million euro as at 31 December 2008). Of these, notional value of plain vanilla contracts was 7,057 million euro (10,365 million euro as at 31 December 2008), and of structured contracts was 1,263 million euro (1,394 million euro as at 31 December 2008).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 31 December 2009, this led to adjustments of 104 million euro being recorded under Profits (Losses) on Trading in the income statement, compared to 65 million euro as at 31 December 2008, with a negative impact during the period of 39 million euro. Adjustments are recorded, for every single contract, at the market value determined using the risk free curves.

As regards the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see Part A of the Notes to the consolidated financial statements - Fair value measurement.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges with banks and financial companies.