Half-yearly report as at 30 June 2012

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Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,545,561,614.72 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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NORTH WEST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
1,697	Intesa Sanpaolo Private Banking	59
	Banca Fideuram	38
	Banca Prossima	22
	Banca CR Firenze	7
	BIIS	4
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

CENTRE

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
366	Banca CR Firenze	713
	Banca dell'Adriatico	81
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	8
	Banco di Napoli	3
	BIIS	3
	Mediocredito Italiano	2

NORTH EAST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
17	CR del Veneto	443
	CR in Bologna	200
	CR del Friuli Venezia Giulia	133
	CR Venezia	116
	CR di Forlì e della Romagna	110
	Banca di Trento e Bolzano	84
	Banca Monte Parma	72
	Banca CR Firenze	47
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	13
	BIIS	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
5	Banco di Napoli	740
	Banca dell'Adriatico	113
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	16
	Banca CR Firenze	12
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
188	Banca di Credito Sardo	100
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	BIIS	2
	Mediocredito Italiano	1

Figures as at 30 June 2012

Product Companies

INTESA SANPAOLO VITA

Bancassurance

INTESA SANPAOLO PREVIDENZA

Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

MONETA NEOS FINANCE

Consumer Credit

SETEFI

Electronic Payments

LEASINT

Leasing

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

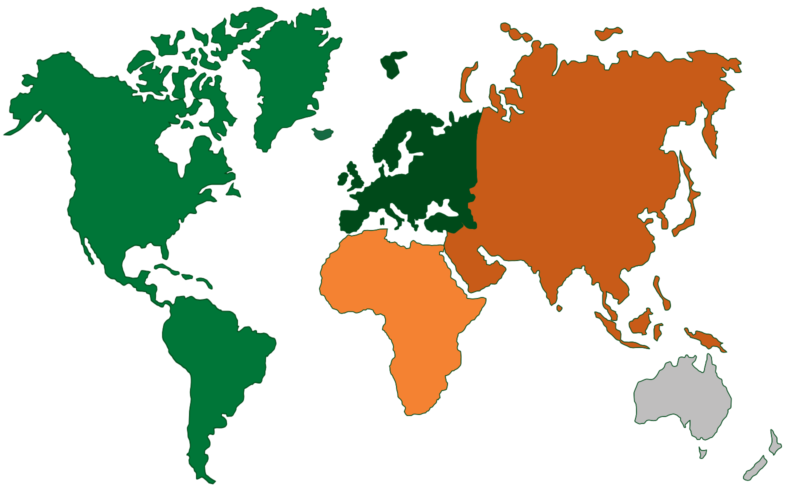
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	53
Croatia	Privredna Banka Zagreb	213
Czech Republic	VUB Banka	1
Hungary	CIB Bank	119
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	74
	Banca CR Firenze Romania	13
Russian Federation	Banca Intesa	76
Serbia	Banca Intesa Beograd	203
Slovakia	VUB Banka	246
Slovenia	Banka Koper	55
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	259
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 30 June 2012
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) Representative offices of Intesa Sanpaolo and Banca IMI
(3) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(4) Representative offices of Intesa Sanpaolo and BIIS
(5) Representative office of BIIS

Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

CIB INVESTMENT FUND MANAGEMENT
Eurizon Capital s.a.
FIDEURAM Asset Management (Ireland)
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Management

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairman	Mario BERTOLISSI
Members	Luigi Arturo BIANCHI Gianfranco CARBONATO Rosalba CASIRAGHI Franco DALLA SEGA Jean-Paul FITOUSSI Pietro GARIBALDI Guido GHISOLFI Giulio Stefano LUBATTI Marco MANGIAGALLI Gianni MARCHESINI Fabio PASQUINI Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Marco SPADACINI Livio TORIO Riccardo VARALDO

Management Board

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

General Managers	Enrico Tommaso CUCCHIANI Carlo MESSINA Gaetano MICCICHÈ
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	KPMG S.p.A.

HALF-YEARLY REPORT ON OPERATIONS

Introduction

The "Half-yearly Report as at 30 June 2012" is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the financial statements and related explanatory notes.

The "Half-yearly condensed consolidated financial statements as at 30 June 2012" have been prepared in compliance with art. 154-*ter* of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission in EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements, subject to limited review, have been drawn up in compliance with IAS 34 requirements, which regulate interim reports.

To support the comments on results for the period, the Explanatory notes to the Half-yearly condensed consolidated financial statements also present and illustrate reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, envisaged by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Half-yearly report on operations and the Half-yearly condensed consolidated financial statements contain financial information – for example, figures on quarterly development, and other alternative performance measures – not directly attributable to the financial statements.

The website of Intesa Sanpaolo, at www.group.intesasanpaolo.com, contains the press releases issued during the period together with other financial documents.

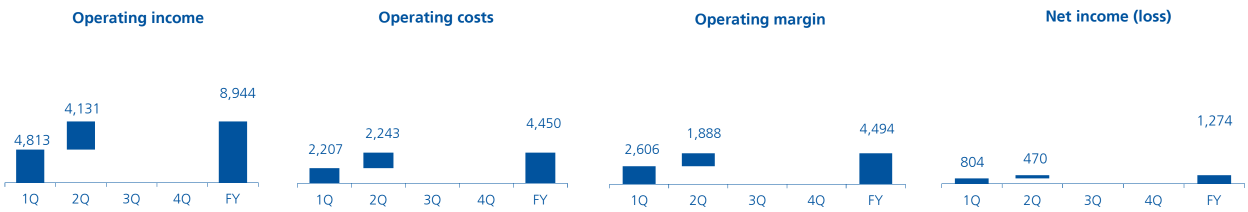
OVERVIEW OF THE FIRST HALF 2012

Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)

	30.06.2012	30.06.2011	Changes amount	Changes %
Net interest income	4,932	4,760	172	3.6
Net fee and commission income	2,639	2,805	-166	-5.9
Profits (losses) on trading	877	821	56	6.8
Income from insurance business	453	285	168	58.9
Operating income	8,944	8,720	224	2.6
Operating costs	-4,450	-4,536	-86	-1.9
Operating margin	4,494	4,184	310	7.4
Net adjustments to loans	-2,055	-1,505	550	36.5
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	1,274	1,402	-128	-9.1

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



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

	Operating income 30.06.2012	Operating income 30.06.2011	Operating costs 30.06.2012	Operating costs 30.06.2011
Banca dei Territori	5,024	4,788	2,804	2,864
Corporate and Invest. Banking	2,256	2,253	500	493
International Subsidiary Banks	1,093	1,188	577	577
Eurizon Capital	129	136	57	64
Banca Fideuram	397	410	169	180

	Operating margin 30.06.2012	Operating margin 30.06.2011	Net income (loss) 30.06.2012	Net income (loss) 30.06.2011
Banca dei Territori	2,220	1,924	579	321
Corporate and Invest. Banking	1,756	1,760	832	914
International Subsidiary Banks	516	611	53	214
Eurizon Capital	72	72	38	37
Banca Fideuram	228	230	65	105

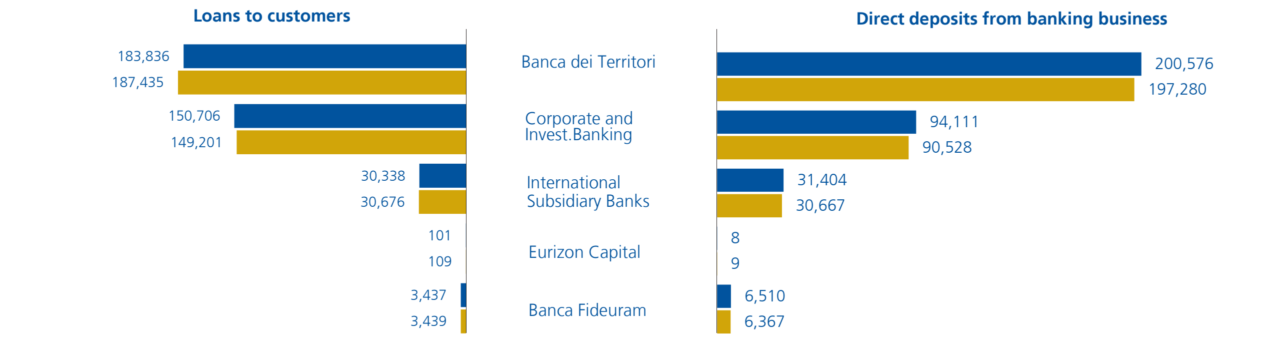
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

30.06.2012
30.06.2011

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.06.2012	31.12.2011	**Changes amount**	**%**
Financial assets	194,552	165,614	28,938	17.5
of which: Insurance Companies	*79,102*	*73,926*	*5,176*	*7.0*
Loans to customers	374,953	376,744	-1,791	-0.5
Total assets	666,417	639,221	27,196	4.3
Direct deposits from banking business	368,840	359,991	8,849	2.5
Direct deposits from insurance business and technical reserves	76,844	73,119	3,725	5.1
Indirect deposits:	405,999	405,727	272	0.1
of which: Assets under management	*222,469*	*221,889*	*580*	*0.3*
Shareholders' equity	47,998	47,040	958	2.0

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



Operating structure	**30.06.2012**	**31.12.2011**	**Changes amount**
Number of employees	**99,172**	**100,118**	**-946**
Italy	68,853	69,162	-309
Abroad	30,319	30,956	-637
Number of financial advisors	**4,980**	**4,850**	**130**
Number of branches [(a)]	**7,141**	**7,246**	**-105**
Italy	5,579	5,581	-2
Abroad	1,562	1,665	-103

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

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

Other alternative performance measures

Consolidated profitability ratios (%)

	30.06.2012	30.06.2011
Cost / Income	49.8	52.0
Net income / Average shareholders' equity (ROE) [(a)]	4.3	4.6

Earnings per share (euro)

	30.06.2012	30.06.2011
Basic earnings per share (basic EPS) [(b)]	0.08	0.11
Diluted earnings per share (diluted EPS)	0.08	0.11

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

[(a)] Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period with the exception of non-recurring components, has been annualised.

[(b)] Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

30.06.2012
30.06.2011

Consolidated risk ratios (%)

	30.06.2012	31.12.2011
Net doubtful loans / Loans to customers	2.6	2.4
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	62.3	64.0

Consolidated capital ratios (%) [c]

	30.06.2012	31.12.2011
Tier 1 capital [d] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	10.7	10.1
Tier 1 capital [d] / Risk-weighted assets	11.7	11.5
Total capital [e] / Risk-weighted assets	14.2	14.3
Risk-weighted assets (millions of euro)	316,457	325,206

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

[c] Ratios are determined using the methodology set out in the Basel 2 Capital Accord. The figure for comparison are not restated.

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

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

Executive summary

The macroeconomic context

The economy and the financial and currency markets

Signs of a slowdown in global economic activity reappeared during second quarter 2012. Economic indicators have shown a widespread decline, with the figures in some areas consistent with a decrease in production levels. The main factor leading to deterioration in the economic cycle is the worsening of sovereign debt crisis in the Eurozone. During the first half of the year, recessive trends rapidly spread from the peripheral countries, penalised by the combined action of fiscal austerity and financial restriction, to the countries of Northern Europe, which have seen a weakening in their exports. The decline in demand for imports by countries of the Eurozone largely explains the observed slowdown in world trade flows.
The benefits of the measures adopted by the European Central Bank dried up during the first quarter: since mid-March, the climate of confidence has worsened, as a result of negative reports on the tax and financial situations of Greece and Spain, but also due to the clear reluctance of monetary authorities to resume purchasing securities during the most critical phases. Greece has benefited from a second economic support programme, combined with heavy restructuring of the public debt held by the private sector. Nevertheless, its prolonged period of instability caused by the inconclusive results of the first political elections has strengthened expectations of the country's imminent exit from the monetary union. After the new elections held in June, the formation of a government in favour of staying in the monetary union and the continuation of the adjustment programme has temporarily brought the situation under control, although it continues to be impacted by significant critical factors. Spain has seen growing deterioration of its tax balances, while write-downs of banks' loans portfolio and the consequent capital requirements have been quantified. The increase in financial requirements under conditions of reduced access to the market has led the Spanish government to request support by the Eurozone for recapitalisation of the credit companies; the Eurozone has already resolved its willingness to contribute up to 100 billion euro, of which 30 paid at the end of July. In the Eurozone steps are being taken to ensure that the European funds are used in the securities markets of the countries under pressure. Furthermore, the intention to establish a common banking supervisory authority as a first step towards greater European integration has been announced. Conversely, the launch of the European Stability Mechanism has been postponed due to delays in the relative treaty's approval process, particularly in Germany.

The Italian recession is proving to be more severe than the Eurozone average. In May, the annual decline in industrial production was at nearly 7%, and the subsequently published economic surveys showed no signs of recovery. The situation worsened further following the earthquake that hit several areas of the Emilia Romagna and Lombardy regions, causing serious damage to the production facilities. Consumer confidence remained low, reflecting the general reduction in disposable income and the rapid worsening of employment prospects. The economy continues to be supported by demand from outside Europe, but the contribution from this trade surplus has not been sufficient to offset the intensity of the decline in domestic demand. GDP is expected to have recorded another sharp decline in the second quarter of 2012, as in the previous two.

The European Central Bank kept official rates unchanged throughout the first half of 2012, further extending the special regime of full allocation to refinancing transactions and widening the range of assets eligible as collateral. The ECB announced a 25 basis point reduction in rates in July alone: the rate on deposits was brought down to zero and the main refinancing rate dropped to 0.75%. The monthly Euribor rate underwent a marginal decline, from 0.419% at the end of March to 0.373% on 29 June. There was a sharper reduction in medium-term rates, as well as in the yields on German government bonds; the latter were at times negative, at least as far as short-term maturities are concerned. The yield spreads between Eurozone sovereign issuers were still exceptionally volatile, as well as very large by historical standards.
The euro weakened by nearly 5% between March and June. The exchange rate with the dollar dropped from 1.33 to 1.26, with even larger declines impacting the exchange rate with the yen. The European currency weakened further during the first half of July.

International stock markets began 2012 with a significant upward shift, which was justified in the United States by economic growth and a moderate improvement in company profits. In the Eurozone, the recovery was mainly driven by liquidity (as a result of the European Central Bank's two Long Term Refinancing Operations - LTRO) and temporary progress in the management of the sovereign debt crisis, with the successful conclusion to involvement of the private sector (PSI) in Greek debt and better coordination of fiscal measures by the EU countries. This enabled share indices to achieve largely positive performance during the initial months of 2012, driven in Europe by the banking and financial sectors, which were more responsive to the easing of tensions on sovereign debt, with highs for the period reached around mid-March.
Subsequently, growing uncertainty on the continuation of growth in the Eurozone, renewed fears about public finances in certain peripheral Eurozone countries (suffering from greater exposure to the effects of fiscal austerity) and, during the last phase of the period, intensification of the tension in Greece (political crisis) and Spain (recapitalisation needs of banks) triggered a sharp adjustment of stock prices in Europe, and to a greater extent in the peripheral markets. Only at the end of the half-year did the outcome of the European summit of 28-29 June, better than expected, result in a sudden rise in stock prices.
The S&P 500 index rose by 8.3% during the first half of 2012. Overall performance of the major European stock markets varied: the Euro Stoxx 50 ended the period down 2.2%; the CAC 40 rose slightly (+1.2%), while performance of the DAX 30 was stronger, recording +8.8% at the end of June. Very negative performance was recorded by the Spanish stock market, with the

IBEX 35 down 17.1%, weighted down by concerns over the domestic banking sector. The UK's FTSE 100 was unchanged during the period.
The major Asian stock markets showed moderately positive performance overall: the Chinese market's SSE Composite Index ended the first half-year up slightly by +1.1%, reflecting expectations of slower economic growth, while the Nikkei 225 index rose by 6.5%.
In this context, performance of the Italian stock market was worse than the major European markets, except Spain, reflecting continued weakness of the domestic economy, as well as renewed concerns by investors regarding the sovereign debt crisis. The FTSE MIB index ended the period down 5.4%, after reaching a peak on 19 March (+13.5%) and a low on 1 June (-15.6%); the decrease recorded by the FTSE Italia All Share (-4.2%) was also in line with the FTSE MIB. Stocks of the STAR segment, on the other hand, out-performed blue chips significantly: the FTSE Italia STAR index was up 5.7% at the end of the half-year.

On the European corporate bond market, the first half of 2012 saw diverging performance, with moderate tightening of risk premiums in the cash segment (investment grade as well as the greater risk segment) and weakness in the derivatives segment.
In first quarter, the support provided by the unconventional monetary policies of the ECB through two long-term refinancing auctions and the successful conclusion to the partial restructuring of Greek debt enabled all classes of the European corporate market to achieve largely positive performance, generally higher than the riskier asset classes, and of financial securities with respect to industrial ones. From the end of March, however, the continued political divergence in terms of crisis management and deterioration of the macroeconomic scenario to an extent worse than expected once again gave rise to tension on the financial markets, with growing concerns on the stability of the Eurozone.
The greatest fears included the political instability in Greece and weakness of the Spanish banking system, suffering from extensive recapitalisation requirements. In this context, despite sound corporate fundamentals and low insolvency rates for the European corporates, the markets have seen a return to high uncertainty and strong volatility of risk premiums, with a flight-to-quality approach and greater divergence between "core" and "peripheral" countries in terms of performance.
Despite the weakness in second quarter of 2012, performance of the investment grade cash segment has been positive since the beginning of the year, due to better performance of financial-sector securities over industrial ones, and with a steepening of the curves by maturity, also in light of greater tightening of the short-term segment (1-3 years). This trend was even more positive in the speculative segment, with greater recovery in the lower credit ratings (rated CCC & Lower). Performance of the derivatives segment, however, was negative, with more evident spread growths in the synthetic crossover and financial indexes, particularly subordinated, and in the coverage of insolvency risk of peripheral corporate issuers.

The emerging economies and markets

The economies of emerging countries recorded a slowdown during the first three months of the year, although maintaining high growth rates overall. Activity in the Asian manufacturing economies was lively, particularly China and India, which did show some slowdown but still recorded trend growth of over 8% and 5%, respectively; activity in the CIS countries was also positive, with Russia recording +4.9% year on year. In Latin America, Chile and Venezuela showed good performance (+5.6% in both cases), while a slowdown was recorded in Brazil, with GDP up by a mere 0.8%, compared to 4.2% the previous year. In the MENA area (Middle East and North Africa), Egypt grew by over 5%, with the Gulf countries showing good performance as well. However, a sharp slowdown was recorded in the economies of the CEE countries and, above all, the SEE countries, more sensitive to developments in the European economy. Among the former, GDP growth was strong in Poland (+3.5%) and Slovakia (+3% year on year), but down 0.8% and 0.7% in Slovenia and Hungary, respectively. In the SEE countries, the economies saw a downturn in Albania (-0.2%) and Croatia and Serbia (-1.3%).
The economic sentiment and the confidence level on the markets began falling in second quarter, with deterioration of the economies in advanced countries, particularly those in Europe. The annual trend growth rate in industrial production for a sample representing 75% of the GDP of emerging economies declined from 5.5% in first quarter to 4.3% for the period April-May.
Weakening of demand and the decrease in prices of raw materials have facilitated a further slowdown in inflation. The trend growth rate in prices declined from 5.2% in December 2011 to 4.6% in June. In Central and South-Eastern Europe, inflation increased in Hungary (to 5.6% in June), Croatia (to 3.9%) and Serbia (to 5.6%), and declined in Slovakia (from 4.4% in December 2011 to 3.6% in June 2012). Postponement of the fee increases for certain services brought the annualised inflation rate to record lows in Russia (3.6% in May, 4.3% in June) and Ukraine (-1.2% in June). The inflation rate in Egypt dropped to 7.2% in June, its lowest level since the end of 2007.

In terms of monetary policy, signs of weakness of the economies and growing concerns regarding the worsening situation abroad have resulted in monetary easing measures in nearly all emerging areas during the first half of 2012. Countries that have cut rates in Asia include China, Korea, India and the Philippines. In Latin America, the Central Bank of Brazil brought the Selic rate from 11% in December 2011 to 8% in June 2012. In Central and South-Eastern Europe, the benchmark rate was reduced in Croatia, Romania, the Czech Republic and Ukraine. However, there were also cases of increases in rates in countries where the economy is particularly strong (such as Thailand and Columbia), or where inflation was higher than the target values or in which, finally, tensions were recorded on the currency markets (such as in Serbia).

On the financial markets, the dollar appreciated, in weighted terms, against the currencies of advanced countries (+1.6%), mainly reflecting weakness of the euro (-2.2% to 1.27 at the end of June), while it depreciated slightly against the currencies of emerging countries (-0.3% in the OITP index - Other Important Trading Partners). This last trend reflected the substantial appreciation recorded during first quarter, largely offset during the second, by a number of currencies of Latin America (Mexico, Columbia and Peru) and Central and Eastern Europe (Poland, Russia, the Czech Republic) and Turkey. With respect to the euro, the currencies of Serbia and Romania depreciated during the half-year, while those of countries linked to the dollar, such as Egypt and Ukraine, appreciated.
From January to June 2012, the MSCI (Morgan Stanley Capital International) index for emerging markets rose by 3.2%, more than the EuroStoxx (0.3%) but less than the S&P USA (+8.3%). A significant portion of the earnings recorded by emerging markets during the first quarter (+10.2%) were offset during second quarter, as a result of worsening of the climate of confidence among

investors. The highest gains during the entire half-year were recorded by several Asian markets (India, Thailand and the Philippines), Turkey and the Baltics. Again in Eastern Europe, concerns over the economic prospects and the domestic financial situation have led to a heavy adjustment in prices in Ukraine (-40%), the SEE countries and Slovenia. In the Middle East, the indices have rebounded as a result of progress in the political stabilisation process, with particularly impressive results in Egypt (+30%), following the heavy losses recorded in 2011.
The EMBI (Emerging Markets Bond Index) spreads declined overall compared to the levels at the end of 2011, although they increased once again in the second quarter (after the first quarter tightening) due to renewed financial tensions in the Eurozone. The global EMBI dropped to 350 bp at the end of June 2012 (-50 basis points since the end of December 2011), mainly due to the EMBI Europe sub-index (-85 basis points to 370 basis points). Spreads remained high, however, in countries plagued by political uncertainty (Egypt, at around 600) or critical financial situations (Ukraine, at around 800 basis points).

The banking system

Rates and spreads

Bank rates were slightly lower in the second quarter of 2012 compared to the first quarter but, with renewed worsening of the crisis in the Eurozone, the expanding trend slowed.
In terms of funding, the marginal costs of the more costly forms declined significantly up to April, and then recorded a consolidation. The average rate on new time deposits recorded values of over half a percentage point compared to the average for the first quarter of 2012. In only three months, the rate on fixed-rate bond issues decreased by over two percentage points from the January 2012 high, to then rise again slightly in May. Rates on current accounts showed a very slight decline over the first quarter. Overall, the deposit rate was however up slightly, as a result of the increased influence of the more costly components. Given the slight reduction in the average rate on the stock of bonds, the rate on total customer deposits was stable compared to the previous quarter. Nevertheless, despite the easing on rates on new funding during the first part of 2012, the total cost of funding remained at the highest levels of the previous three years, due to the dragging of increases from 2011 and to the greater impact of the more costly components.
The gradual improvement of the credit market conditions was confirmed, due to the less constraining bank liquidity environment following the three-year refinancing programme by the Eurosystem. On the other hand, the more relaxed phase of loan rates, consistent with the decline of monetary rates, was contrasted by the rise of the risk premium on Italian debt, which prevented a more decided trend towards normalisation of the conditions on the credit market. The average rate on new loans to non-financial companies declined to a limited extent compared to the previous quarter, feeling the effects of the changes in the rate on new, larger transactions (over 1 million euro), while the average rate on loans of up to 1 million showed a series of regular declines. Similarly, the rates on new mortgage loans to households recorded a gradual decrease.
Even the rates on existing loans showed signs of a reduction, compared to the peak at the end of 2011 - beginning of 2012, which eased, however, during the second quarter. The average rate on loans to households and non-financial companies declined slightly.
Given the rising cost of funding and the slight reduction in loan rates, the overall margin on lending and deposit collection activities resumed falling during the period, after the improvement in the second half of 2011. The spread between average interest rates on the amounts of loans and deposits fell (to an average of 2.09% for the period April-May, compared to 2.23% in the first quarter of 2012), reaching new lows. The spread on funding, measured on short-term rates, progressively fell into the negative figures, to values never recorded according to the available historical series, reflecting the significant reduction in Euribor rates coupled with resistance by rates on current accounts (mark-down[1] on the 1-month Euribor estimated at an average of -0.12% in the second quarter from 0.10% in the first and an average of 0.66% during the last quarter of 2011). The mark-up[2] on the 1-month Euribor essentially stabilised at high levels, after the rise recorded from the summer of 2011 (average of 4.87% in April-May 2012 compared to 4.71% in the first quarter of 2012 and 3.86% in the fourth quarter of 2011). This level of margin, at the maximum for the historical series available from 2003, reflects the high risk premium on Italian debt, which is transferred to the rates applied to loans. As a result of these trends, the short-term spread remained above the values recorded in 2011, although declining slightly compared to the first quarter (4.76% average for April-May compared to 4.82% for first quarter 2012, from 4.52% for the fourth quarter of 2011).

Loans

Lending activities continued to weaken throughout the first six months of 2012. Loans to non-financial companies gradually declined, leading to a slight decrease on an annual basis. The trend reflected the slowdown in short-term loans and the decline in medium/long-term loans, penalised by the decrease in investments. In contrast to the sudden halt in the growth in loans to businesses, loans to households continued to increase, supported by mortgage loans, although with a steady slowdown as already witnessed in 2011. As a whole, loans to households and businesses slowed down significantly, resulting in slightly negative changes.
The weak performance of bank loans reflected the fall in demand linked to the economic recession, the fiscal consolidation measures, financial instability and the decline in confidence by businesses and households. The difficulties in supply eased during the initial months of 2012, as a result of the effectiveness of measures implemented by the ECB to support bank lending and liquidity, which avoided a significant restriction of credit quantities. Despite further worsening of the Eurozone crisis between March and April, the perception of a less restrictive credit environment has gradually started to spread. Business surveys have reported an impression of steady improvement in conditions of access to credit, compared to the tightening in the latter part of 2011.

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

Direct deposits

Bank funding showed some elements of improvement, but remained weak overall. In particular, the recovery in Italian customer deposits strengthened, with growth resuming from February, supported by household deposits. The continued reduction in current accounts was offset by the success of time deposits, whose increase more than compensated for the decline in demand deposits. With regard to bank bonds, the volume of existing securities declined, if we exclude those held in banks' own portfolios, which include issues of government-backed securities used as collateral for refinancing operations in the Eurosystem. Development of the Eurozone crisis has continued to impact banks' access to the institutional market for wholesale funding. Only the temporary improvement in market conditions in the initial months of the year and the outcome of the European Council meeting at the end of June allowed a number of major Italian banks to return to the international market of institutional investors with senior unsecured bond issues.
With respect to the continued absence of foreign wholesale funding, recourse by Italian banks to the Eurosystem to meet their refinancing needs has stabilised, amounting to 281 billion euro in June, after the significant contribution of two three-year refinancing operations at the end of December 2011 and in February 2012.

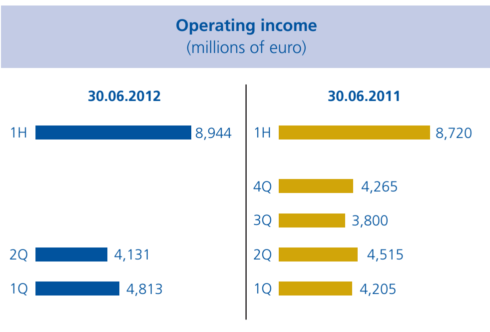
Indirect deposits and asset management

With regard to assets under administration by banks, the slowdown observed in the first quarter of 2012 gradually worsened, after the significant recovery recorded in 2011. In particular, there was a significant slowdown in the growth in debt securities held in custody for consumer households, after the high recorded at the end of 2011-beginning of 2012. Securities held in custody for companies and family businesses showed similar signs of weakening.
With regard to assets under management, in the second quarter of the year the Italian market for open-ended mutual funds recorded negative net inflows for the seventh consecutive quarter, cancelling the partial recovery recorded in March. In terms of categories, as in the first quarter of the year, equity and flexible funds were the most penalised, while bond funds still achieved substantial net inflows. Foreign fund inflows, although positive, did not offset the outflows from Italian funds. Total open-ended mutual fund assets in June amounted to approximately 432 billion euro, slightly down from 437 billion at the end of the first quarter, but higher than the 419 billion euro of December 2011.
In the insurance sector, in April and May 2012, collected premiums for new life policies resumed growth compared to the corresponding months of 2011, halting the slowdown in new business that began in mid-2010. The slight increase in collections during the two-month period was driven by products with a higher financial component, specifically the unit-linked ones. However, new business in terms of life policies began declining once again in June. Total collections in the life segments from the beginning of the year, therefore, are down compared to the first half of 2011, with confirmation of the significant decline in policies placed by bank and post office branches.

Intesa Sanpaolo in the first six months of 2012

Consolidated results

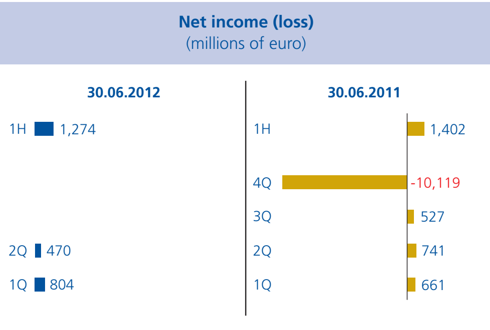
As outlined above, the economic environment deteriorated during the second quarter of 2012, mainly due to the worsening of sovereign debt crisis in the Eurozone. The benefits of the measures adopted by the European Central Bank ended during the first quarter, the climate of confidence began worsening, the yield spreads between sovereign bonds of the Eurozone remained very large and volatile and the Italian recession has become more severe.
Despite this difficult environment, the Intesa Sanpaolo Group closed the first six months of the year with an income of 1,274 million euro, limiting the decline to 9.1% compared to the 1,402 million euro of the first half of 2011. This trend was essentially due to the greater need for adjustments to loans, with worsening loan quality caused by deterioration in the real economy. These adjustments fully absorbed the higher contribution of operating income - resulting from the interest margin, profits on trading and income from insurance business - and the positive effects of the constant cost containment measures.



In terms of breakdown of the items of operating income, the income statement for the first half of the year showed net interest income of 4,932 million euro, up 3.6% on the first six months of 2011 in relation to the greater contribution of operations with customers and investments in securities, only partially offset by interest expense in relations with banks.
The services segment generated net fee and commission income of 2,639 million euro, down 5.9% due to the component relating to management and dealing of financial instruments (-10.7%), whereas commissions for commercial banking activities were up slightly (+0.7%).
Profits on trading, amounting to 877 million euro (+6.8%), benefited from positive performance of trading during the first part of the year and the positive effects of the buy back by the Parent Company of subordinated Tier 1 notes (274 million euro) and the sale of London Stock Exchange shares (94 million euro). Furthermore, it should be noted that the figure for the first half of 2011 included 426 million euro in capital gains from the disposal of investments in Prada and Findomestic.
Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, made a large contribution, increasing to 453 million euro from 285 million euro for the first six months of the previous year, due to the significant improvement in the net investment result.

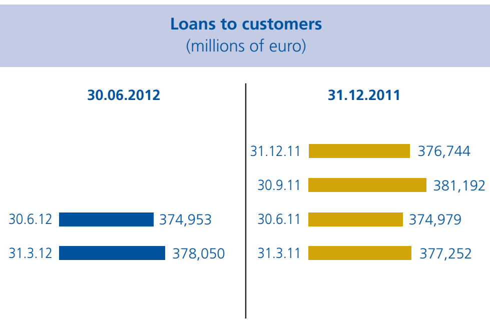
As a result of the above trends, operating income for the first half of 2012 came to 8,944 million euro, showing an increase of 2.6%.
Operating costs, which are continually and carefully monitored to ensure structural cost containment, showed a decrease (-1.9% to 4,450 million euro) attributable to both personnel expenses (-1.4%) and administrative expenses (-3.9%), whereas adjustments were up slightly (+3.3%).

The operating margin amounted to 4,494 million euro, up 7.4% on the first six months of 2011.
Adjustments and provisions for risks, as a whole, were up around 33%, largely due to greater net adjustments to loans (2,055 million euro, +36.5%), attributable to the general deterioration in credit quality as a result of the worsening economic situation. The amount of adjustments also reflected a further marginal impact (29 million euro) of the measurement of Greek government bonds exchanged during the first half of the year, following the agreement reached with the Eurogroup in February this year.

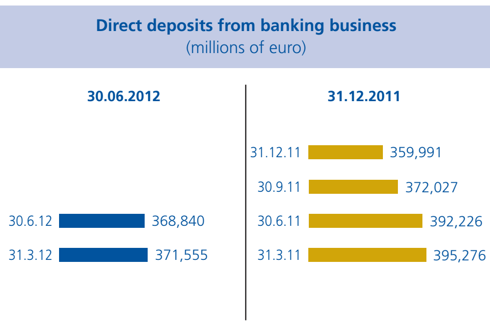


Income before tax from continuing operations came to 2,262 million euro, down by approximately 11% on the first six months of the previous year.
Income tax for the period, equal to 778 million euro, was positively influenced by the expected recoveries from refund applications, related to the possibility, as introduced by article 2, paragraph 1 of Law Decree 201/2011 and expanded by Law 44 of 26 April 2012, to deduct the Regional Business Tax (IRAP) paid on labour cost for the years from 2007 to 2011 (approximately 200 million euro) from corporate income.
After recognition of charges for integration and exit incentives of 24 million euro and the effects of purchase price allocation of 149 million euro, as well as minority interests of 37 million euro, the Group's income statement for the first half-year closed, as already noted, with a net income of 1,274 million euro, down 9.1% on the first six months of 2011.

The comparison of the results for the second quarter of 2012 with the previous quarter shows a decrease in operating income (-14.2% to 4,131 million euro) due to lower profits on trading (161 million euro compared to 716 million for the first quarter, which benefited, however, from the repurchase of the Bank's own securities) and the insurance business (195 million euro compared to 258 million in the first quarter of 2012). The moderate increase in operating costs (+1.6%), due to higher administrative expenses (+5.9%), resulted in a 27.6% decline in the operating margin. These effects, together with an increase in the adjustments to loans due to deterioration in portfolio quality resulting from weakening of the real economy, resulted in an approximate 52% decrease in income before tax from continuing operations. The decrease declined to 41.5% at the net income level, in relation to the previously indicated lower tax burden.

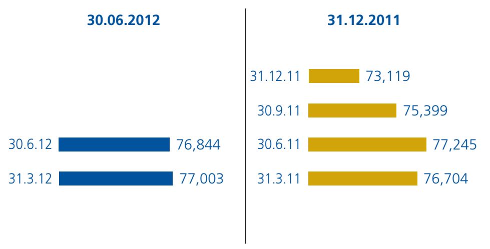


The performance of the balance sheet aggregates confirms the Group's sound financial position.
Loans to customers totalled around 375 billion euro (-0.5% over the end of 2011). The slight growth in current accounts and mortgages (+0.7% and +0.2%, respectively) was compensated by a reduction in advances and other loans (-4.4%). The performance outlined above reflected, to a significant extent, the increase in non-performing loans, which involved substandard loans in particular, as a result of the worsening of the general economic situation, as well as past due loans, following the reduction by the Bank of Italy of the period for their classification under non-performing loans from over 180 to over 90 days, effective from 1 January 2012.



With regard to funding, direct deposits from banking business were up on the end of 2011 (+2.5% to 369 billion euro). The increase involved nearly all the deposit types that make up this aggregate. In detail, there were increases in the demand component represented by current accounts and deposits (+1.8%), bond funding (+0.4%), certificates of deposit (+13.5%) and other deposits (+5.9%). The reduction in the amount of subordinated liabilities (-10.4%) was largely attributable to the buy back of own securities. The performance of the aggregate was positively affected by the increase in repurchase agreements.

Direct deposits from insurance business and technical reserves
(millions of euro)



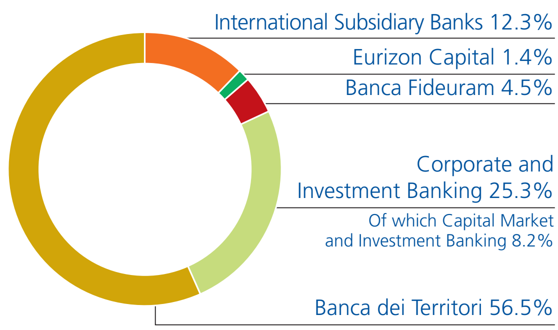
The performance of direct deposits from insurance business, which also include technical reserves, was also positive (+5.1% to 77 billion euro).
The overall increase was driven by both the higher value of financial liabilities of the insurance business designated at fair value, particularly unit-linked products, and the increase in technical reserves, which represent the amount owed to customers who have taken out traditional policies. The new business for the half-year for Intesa Sanpaolo Vita (the company created from the merger of Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to around 6.2 billion euro.

Indirect deposits returned to year-end 2011 levels (+0.1% to approximately 406 billion euro). The limited decline in assets under administration (-0.2% to 184 billion euro) was more than offset by the trend in assets under management (+0.3% to 222 billion euro). The trends in the two components were impacted by changes in the value of assets contained in the portfolios, based on market performance during the period, with growth in the first three months and a decrease in the second quarter.

Results of the business units

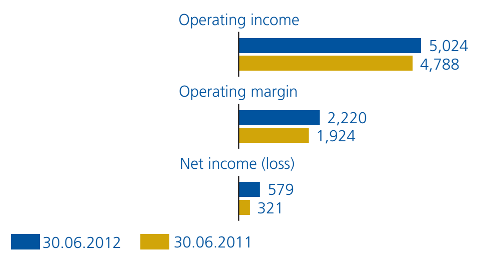
The breakdown of the contribution to operating income in the first six months of 2012 for the Group's five business units shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 56% of operating income), although there was also a significant contribution from corporate and investment banking activities (approximately 25%) and international retail banking activities (about 12%).

Operating income:
Breakdown by business area [1]



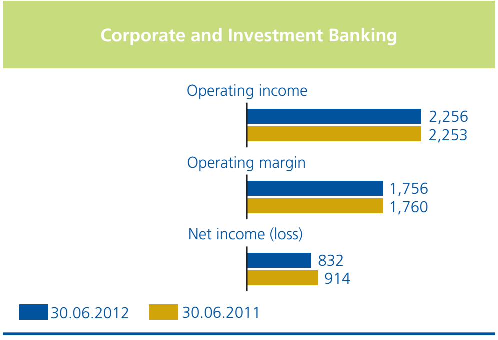
[1] Excluding Corporate Centre

Banca dei Territori

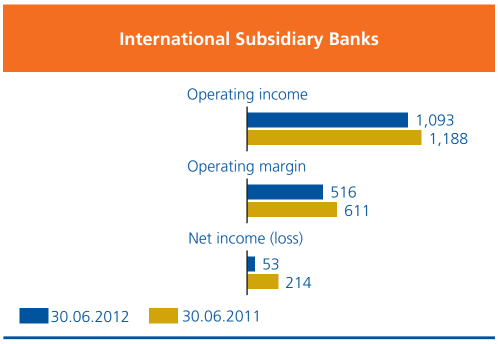


In the first half of 2012, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 5,024 million euro, up 4.9% compared to the first half of the previous year. In detail, the increase in net interest income (+4.9%), essentially due to the higher contribution from loans to customers, was partly offset by a lower contribution of net fee and commission income (-3.8%), particularly in the asset management and bancassurance segments, and lower up-front commissions on bond issues, suffering the effects of the market situation. Positive performance was recorded in insurance business (approximately +71%), largely attributable to the improvement in the net investment result. Following the recognition of lower operating costs (-2.1%), the operating margin rose to 2,220 million euro, up 15.4% on the first six months of 2011. Income before tax from continuing operations grew 22.3% to 1,049 million euro, despite higher net adjustments to loans, related to the general deterioration in credit quality. Net income, which includes adjustments for taxes of 366 million euro (benefiting from the lower tax burden on employment costs), economic effects of purchase price allocation of 84 million euro and charges for integration and exit incentives of 20 million euro, came to 579 million euro, significantly up compared to 321 million euro in the first half of 2011.

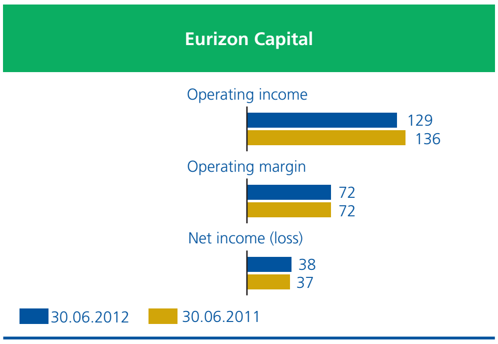
The balance sheet figures at the end of June 2012 showed decreasing loans to customers (-1.9% to 183,836 million euro) compared to December 2011, mainly as a result of the decrease in loans to business and small business customers. On the other hand, direct deposits from banking business recorded growth (+1.7% to 200,576 million euro), essentially attributable to higher funding through securities and direct deposits from insurance business (+2.8% to 65,225 million euro), due to technical reserves and, to a lesser extent, to the financial liabilities of the insurance segment designated at fair value.



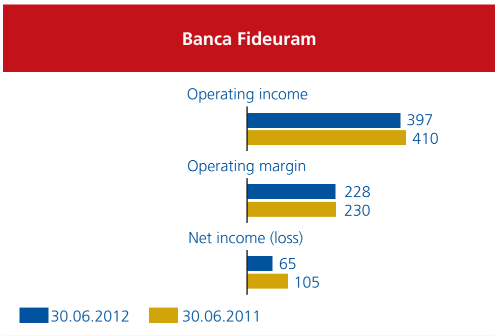
The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income of 2,256 million euro, essentially stable (+0.1%) on the first six months of 2011. The positive performance of net interest income (+6%) attributable to the increase in mark-up was offset by lower net fee and commission income (-7.9%) and profits on trading (-1.9%). The moderate increase in operating costs (+1.4%) was attributable to higher administrative expenses. Following these trends, the operating margin, at 1,756 million euro, was essentially in line with the first six months of the previous year (-0.2%). Conversely, income before tax from continuing operations, amounting to 1,191 million euro, was down (-12.4%), due to higher net adjustments to loans and other assets. Lastly, net income came to 832 million euro, down 9% on the first six months of the previous year.
The balance sheet figures show increasing loans to customers (+1% to 150,706 million euro), supported by Banca IMI's repurchase agreements. Direct deposits from banking business increased 4% to 94,111 million euro, mainly due to the securities issued component.



In the first half of 2012, operating income of the Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – came to 1,093 million euro, down 8% compared to the first half of the previous year, due to the decline in income (net interest income: -6.3%, net fee and commission income: -5.6%, profits on trading: -44.4%), with stable operating costs. As a result of the above revenue and cost trends, the operating margin came to 516 million euro, down 15.5%. Income before tax from continuing operations, amounting to 137 million euro, declined by 53.1%, mainly due to greater provisions for risks and charges and higher net adjustments to loans. The Division closed the first half of 2012 with a net income of 53 million euro (-75.2%).
As for the balance sheet figures, the limited decline in loans to customers (-1.1% to 30,338 million euro) was offset by growth in direct deposits from banking business (+2.4% to 31,404 million euro), in terms of amounts due to customers as well as securities issued.



In the first six months of 2012, the asset management segment was again affected by the difficult operating context. For Eurizon Capital, operating income, amounting to 129 million euro, was down 5.1% on the first six months of 2011, due to the lower contribution from net fee and commission income (-7.1%). The operating margin amounted to 72 million euro, in line with the comparative figure, due to the significant decline in operating costs (-10.9%), attributable to targeted cost containment measures. Eurizon Capital ended the first half of 2012 with a net income of 38 million euro, compared to 37 million euro for the first six months of 2011. Overall, total assets managed by Eurizon Capital as at the end of June 2012 came to approximately 134 billion euro, up 2.5% from the beginning of the year. However, net outflows for the first six months of the year were negative (-1.4 billion euro), due to outflows from Italian mutual funds and retail portfolio management schemes, only partly offset by net inflows achieved by Luxembourg funds and insurance products.



For Banca Fideuram - specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential - the operating margin for the first half of 2012 came to 228 million euro, slightly down (-0.9%) compared to the first six months of the previous year. The decrease in operating income (-3.2%) - attributable to the lower contribution of net fee and commission income (-13 million euro) and profits on trading (-7 million euro), only partly offset by the increase in net interest income (+9 million euro) - was almost entirely absorbed by lower operating costs (-6.1%).
As a result of higher provisions for risks and charges and net adjustments to other assets, income before tax from continuing operations was down 13.9% to 179 million euro. Lastly, following the attribution of the effects of purchase price allocation on the income statement (44 million euro), Banca Fideuram closed the first half of 2012 with net income of 65 million euro (-38.1%). Assets under management and assets under administration of the Banca Fideuram Group at the end of June 2012 amounted to 73.7 billion euro (of which 54.1 billion euro in assets under management and 19.6 billion euro in assets under administration), up 3.9% since the beginning of the year.

Highlights for first half-year 2012

In January, a 1.5 billion eurobond issue was launched on the euromarket targeted at international markets via the subsidiary Intesa Sanpaolo Bank Ireland plc, guaranteed by the Parent Company to optimise its treasury management. It is an 18-month fixed-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo, with a 4% coupon. Considering its 99.832% offer price, the yield to maturity is 4.132% per annum and the total spread for the investor is equal to the mid swap rate + 295 basis points.
On 20 February 2012, this first transaction was followed by a 1 billion euro bond issue also targeted at international markets. The five-year, fixed-rate bond was also issued as part of the Euro Medium Term Notes Programme. This is the first senior unsecured benchmark issue from a Eurozone peripheral bank with a longer maturity than the ECB's three-year Long Term Refinancing Operation. The 5% coupon is payable in arrears on 28 February of each year. Considering its 99.254% offer price, the yield to maturity is 5.173% per annum and the total spread for the investor is equal to the two-year mid swap rate + 355 basis points.
Neither issues were targeted at the Italian retail market. Rather, they were targeted at professional investors and international financial intermediaries and are listed on the Luxembourg Stock Exchange, as well as being traded over-the-counter.

On 20 February Intesa Sanpaolo finalised the buy back of its subordinated notes for a total nominal value of 1,226 million euro. The transaction involved innovative and non-innovative Tier 1 capital instruments placed through public transactions. As a result of the buy back, regulatory Core Tier 1 Capital was increased by virtue of the capital gain deriving from the purchase of the notes at a price lower than their nominal value. The transaction was also aimed at optimising the structure of Regulatory Capital through the repurchase of instruments which – pursuant to the Capital Requirements Directive (CRD IV) approved by the European Commission – will be subject to grandfathering and, thus, progressively excluded from Additional Tier 1 Capital. As a result of the finalisation of the buy back, the Intesa Sanpaolo Group income statement for the first half of 2012 registered a benefit, including the positive impact of the unwinding of interest rate derivatives, of 274 million euro (183 million euro net of taxes).

In March, the sale without recourse of a doubtful loan portfolio totalling - gross of net adjustments - approximately 1,640 million euro was carried out, for a cash price of the sale equal to the book value net of adjustments, i.e., approximately 270 million euro.

In May, Intesa Sanpaolo completed the sale of approximately 14.5 million ordinary shares held in London Stock Exchange Group, corresponding to approximately 5.4% of the Company's share capital, at a price of 9.60 pounds per ordinary share, through placement with qualified institutional investors. The total value was approximately 172 million euro, providing Intesa Sanpaolo with a positive contribution in terms of consolidated net income of approximately 105 million euro. The shares sold constituted Intesa Sanpaolo's entire stake in London Stock Exchange.

On 26 June, Intesa Sanpaolo launched and completed its ordinary share buy-back programme to serve a free assignment Plan reserved to its employees, authorised by the Shareholders' Meeting of 28 May. The buy-back programme was executed on a single day when the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total countervalue of 12,632,743 euro.

At the end of the first half of the year, the Intesa Sanpaolo Group launched, as part of its 2011-2013 Territorial Plan, a strategy for the reorganisation of brands, aimed at completing the organisational model of Banca dei Territori. This includes rationalisation of the Group brands present in the Umbria region, creating a single regional bank named Casse di Risparmio dell'Umbria and directly controlled by Banca CR Firenze. The Bank will be created through a merger by incorporation of Cassa di Risparmio Città di Castello, Cassa di Risparmio di Foligno and Cassa di Risparmio di Terni e Narni into Cassa di Risparmio di Spoleto, which will take on the new name. The Umbrian branches of Banca CR Firenze and Intesa Sanpaolo will subsequently be transferred to Casse di Risparmio dell'Umbria through, respectively, a non-proportional spin-off of a business line of Banca CR Firenze, comprising 17 branches, and the contribution by Intesa Sanpaolo of a business line comprising 10 branches. The share capital of the new bank will include both ordinary and preferred shares. The rights of the latter have been determined by recognising greater rights to those assigned to the preferred shares of Cassa di Risparmio di Foligno and Cassa di Risparmio di Spoleto. Following the merger, Banca CR Firenze will own approximately 96% of the Bank, while the remainder will be predominantly held by minority shareholders, namely the previous shareholders of Cassa di Risparmio di Foligno and Cassa di Risparmio di Spoleto. The transaction, subject to authorisation by the Bank of Italy, will be effective at the end of 2012 and aims to rationalise the national organisational structure, improving commercial operations.

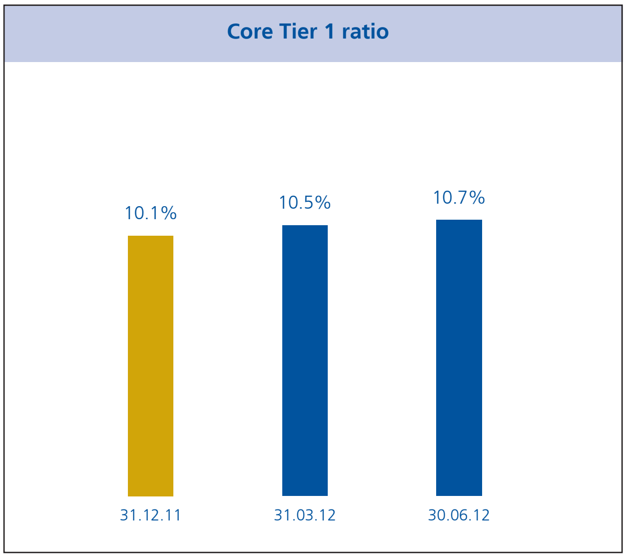
ISP and the trade unions signed an agreement on 29 July 2011 to implement the Group's reorganisation as envisaged by the Business Plan 2011 - 2013/15 and the consequent downsizing of staff by at least 3,000. Regarding the relative expenses, an allocation of approximately 700 million euro was made in the 2011 financial statements, discounted and before taxes.
The reform of the pension system introduced by Law Decree 201 of 2011, converted into Law 214 of 2011, significantly modified the regulatory framework. Therefore, pending the final provisions and the necessary adjustments to the agreements reached in the summer of 2011, the allocation in the half-yearly report as at 30 June 2012 remained unchanged, awaiting new elements that enable a more accurate quantification of the Group's cost.
Discussions with the trade unions are also underway, in order to identify solutions that are consistent with the expected structural reduction in operating costs.

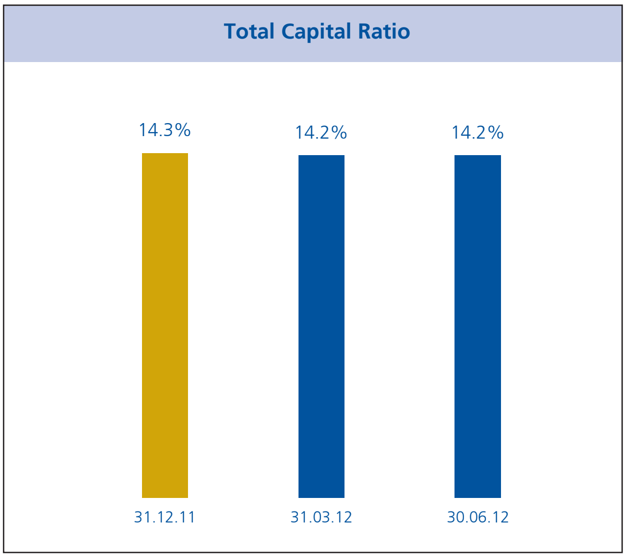
Main risks and uncertainties

The ongoing macroeconomic uncertainty and high volatility of the financial markets continue to require constant oversight of the factors that enable the Bank to pursue sustainable profitability in the medium and long term: high liquidity, funding capacity, low leverage and adequate capital base.
Liquidity continues to remain at high levels: as at 30 June 2012, the liquidity reserves eligible with the various Central Banks came to 111 billion euro, of which 50 billion euro was available spot (net of the haircut) and remained unused, up significantly compared to 37 billion euro at the end of 2011. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised in international markets through short-term paper) was maintained at 36 billion euro (from 37.5 billion euro at the end of 2011) and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

With regard to funding, the first half of the year was characterised by an increase in direct customer deposits of the various business units, with particularly strong performance by the demand component (current accounts and deposits).
The widespread branch network continued to be a stable and reliable source of funding: 79% of direct deposits from banking business derive from retail operations (292 billion euro). In addition, during the first six months of the year, bond placements were made in international markets totalling 3.2 billion euro.
The internal short-term liquidity indicator, which measures, for the various short-term time brackets (up to 1 month, 1-3 months, 3-6 months, 6-12 months), the ratio between availability of liquidity reserves and expected positive cash flows and expected and potential cash outflows, has values that are significantly greater than one. Even the medium to long-term financial equilibrium, monitored via a structural liquidity indictor, showed a widely positive surplus in June, with growth compared to December 2011.
At the end of June, the minimum liquidity ratios envisaged by Basel 3, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), were already met.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors, while the ratio of risk-weighted assets to total assets is among the highest, given the significant prevalence of retail banking activities within the Group.

The capital base also remains solid and was up compared to the end of 2011: the Total Capital Ratio is 14.2%, Tier 1 is 11.7% and Core Tier 1 is 10.7%. The EBA pro-forma coefficient was equal to 10.1% compared to 9.2% from the EBA analysis on September 2011 data and the minimum requirement of 9%.





With regard to the insurance segment, the solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, as at 30 June 2012 was approximately 2,890 million euro (of which 385 million from freezing of the capital losses on debt securities issued or guaranteed by the countries of the European Union), up compared to approximately 2,225 million as at 31 December 2011, due to market trends and to the company's income for the half-year. The margin is 905 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 30 June 2012, therefore, is 147%, up compared to 113% as at 31 December 2011.

The Group's risk profile remained at relatively low levels - despite an increase mainly resulting from the volatility of spreads in the Italian government segment - in line with the Group's intention to continue to privilege the retail banking activity. The trend in operational VaR, shown in the chart, reflects and is a consequence of the evolution of the crisis in the sovereign markets of the Eurozone. During the second quarter of 2012 VaR recorded a downward trend as a result of the rolling effect of the scenarios and of a decrease in the Italian government bonds trading component.

Market risks trend:
operational VaR (millions of euro)

The difficult macroeconomic environment and high volatility of the financial markets make the assessment of credit risk and measurement of financial assets increasingly complex.

Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in loan granting and monitoring process.
The methods used for the classification of non-performing loans and for the measurement of those loans and performing loans ensure that the impacts of negative developments in the economic situation are promptly accounted for. As the crisis has deepened and expanded at an alarmingly fast pace, it has become necessary to constantly review the value of both the loans already showing signs of distress and those still free from evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average provisioning percentages for doubtful loans (over 62%) and substandard loans (over 20%). With regard to performing loans, despite the classification of loans past due by over 90 days under non-performing loans, starting from 2012, the "collective" adjustments provide a coverage ratio of 0.8%, in line with the coverage in the 2011 financial statements. The lump-sum provisions on performing loans, equal to 2,647 million euro, fully cover the expected loss calculated with internal models, the value of which shows a marginal decline compared to December 2011, due to a reorganisation of the portfolio that offset the increase in probability of default.

Significant attention has been given to the measurement of financial investments. The majority of financial assets (over 90%) are classified as held for trading using the fair value option, under assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 61% using the effective market quotes method (level 1), 37% using the comparable approach (level 2) and only 2% using the mark-to-model approach (level 3). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (94%) were measured using the comparable approach (level 2).

As at 30 June 2012 the Intesa Sanpaolo Group's exposure to sovereign debtors was represented by debt securities for 94 billion euro (of which 33 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 24 billion euro. As at 31 December 2011 the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase in the half-year was mainly attributable to acquisitions of Italian government securities.
The exposure to the Italian government is 80 billion euro in securities, with the Bank's exposure concentrated on the short-term segment (30.7 billion euro up to 2 years), with a duration of 1.7 years. The duration of the insurance portfolio is longer, at 4.9 years, consistently with that of liabilities.
The exposure to Greece at the end of the first half of the year, following the exchange that took place after the agreement reached with the Eurogroup in February this year and the subsequent disposal of the securities exchanged, is limited to a carrying value of 10 million euro, referring to the Group's insurance companies.

Investment levels in structured credit products and hedge funds are essentially unchanged and limited. The trends in fair value of these products have generated a positive impact of 24 million euro for the former and 28 million euro for the latter.

In complex markets like the current ones, verifying the stability in the value of intangible assets is particularly difficult.
Considering the continued highly unstable macroeconomic scenario, particularly in certain European countries including Italy, in-depth analyses to determine the existence of any negative indicators not already considered in the impairment tests for the 2011

financial statements were conducted on intangible assets with indefinite useful lives, comprising goodwill and the brand name, booked in the financial statements at a total value of 11,055 million euro (of which 8,671 million euro referring to goodwill).
To this end, the aforementioned impairment tests, carried out based on the most updated information available up to the date of approval of the proposed financial statements for 2011 (which took place on 15 March 2012), had determined the need to adjust goodwill for a total amount of 10.3 billion euro (10.2 billion euro net of taxes).
For the 2011 impairment test on these assets, given the 2011-2015 Business Plan approved in April 2011 but no longer relevant in terms of its profit forecasts and pending the drafting of a new plan, reference was made predominantly to information and data obtained from the market, including the estimate of expected cash flows for 2012-2013, appropriately adjusted downwards to take into account the final figures for 2011. These values were then projected with gradually decreasing growth rates over a total period of ten years up to a cash flow, in order to estimate the so-called terminal value, coinciding with a return on tangible equity in line with the Intesa Sanpaolo Group's cost of capital and with the sustainable income identified in the last year of the 2011-2013/2015 Business Plan. With regard to the discounting rates, the considerable volatility of financial parameters that characterised the second half of 2011, the extreme prudence adopted in estimating cash flows and the long-term prospects underlying the estimate of value in use led to the use of different discounting rates: one rate, in line with the market conditions at the end of 2011 (highly turbulent) for the flow forecasting and extrapolation period (ten years), and another rate that envisaged a prospect of moderate improvement in the economic conditions at the end of 2011, and thus more representative of an ordinary situation, to discount flows in Terminal value.

The analyses carried out with reference to the aforementioned aspects, updated to the end of June 2012, highlighted the following:
- in terms of cash flows, the new Business Plan is still not available and, therefore, the market figures identified in the consensus of financial analysts on the profit forecasts for 2012, 2013 and 2014 (always appropriately updated based on internal profit figures) continue to be the main source of information. The values of these forecasts are higher than those used in the 2011 impairment test;
- in terms of long-term cash flow to calculate terminal value, no information emerged during the half-year that would make the assumptions used for the 2011 impairment test no longer adequate;
- with regard to growth rate “g”, again for the purposes of terminal value, updating of the GDP growth estimates for the countries in which the Group operates does not indicate any significant changes in the average values for the period under observation (2008-2016). However, a real growth rate of zero was used for Italy and this assumption is still considered current and prudent;
- with regard to the discounting rates (ke), updating of the values with the same method used for the 2011 financial statements shows the following trends: for the CGUs operating in Italy (Banca dei Territori, Corporate and Investment Banking, Eurizon Capital and Banca Fideuram), the Ke to discount cash flows (average in the last month of the period for the risk free and country risk premium) shows a significant decline (approximately 90 bps) over December 2011, considering the reduction in 10-year BTP and Bund spread, accompanied by a significant decline in the risk free rate; for the Banca dei Territori CGU, the reduction in Ke is less significant (approximately 60 bps), given the increase in the beta coefficient. The Ke used to discount the terminal flow, based on risk free and country risk premium values calculated on annual averages, shows an increase (approximately 30 basis points) over December 2011, given the increase in country risk premium (equal to the 10-year BTP and Bund yield differential), partly offset by the reduction in risk free rate and by the inflation differential; the Ke increase is more significant for the Banca dei Territori CGU, given the aforementioned increase in beta coefficient. An analysis of the Ke values for banks belonging to the International Subsidiary Banks CGU indicates an overall reduction following the reduction in risk free rate, except for Banca Intesa Russia, ISP Bosnia and VUB, for which the increase in country risk premium, following downgrading of the country or of the individual bank during the first half of 2012, resulted in a less evident reduction or slight increase in Ke compared to December 2011. However, the Group’s risk level, measured by the market through the CDS, showed a slight improvement in June compared to the situation at the beginning of the year.

Therefore, the estimates of cash flows made during the 2011 impairment tests were indeed prudent, while the overall rates do not show any substantial worsening compared to the parameters already used for the aforementioned impairment test, despite the fact that the financial markets continue to be highly unstable and the spread on Italian government bonds is still high.

In terms of the market values, Intesa Sanpaolo's stock performance was very volatile during the half-year, consistently with the Eurozone banking sector index (Euro Stoxx Banks Index), the FTSE/MIB Italian stock market index and the Italian banking securities index. In particular, Intesa Sanpaolo stock recorded a 15.3% decline from the beginning of the year, slightly worse than that recorded by the Eurozone banking sector index (-12.2%) and by the FTSE/MIB Italian stock market index (-7.6%) but better than the 18.5% decline in the Italian banking securities index. These trends are highly correlated to the current economic situation and to fears on stability of the Euro, factors that are leading financial investors to apply pressure to the entire European banking sector and to the peripheral countries of the Eurozone, due to concerns regarding the solidity of public finances.
Financial analyst assessments and the so-called “target prices” of Intesa Sanpaolo stock did not show any significant changes during the first half of 2012, a sign that even external analysts have not identified any critical factors apart from those already identified at the beginning of the year and included in the impairment test for the 2011 financial statements.

Taking into consideration, therefore, all factors, no critical elements have been identified, apart from those already considered in the 2011 impairment test, that would require a new impairment test on the interim financial statements.

As the highly unstable situation continues, all indicators will be carefully monitored during the second half of the year, in order to immediately identify any factors that could modify the positive conclusions outlined in this Half-Yearly Report.

The other intangible assets booked in the financial statements for a total value of 3,033 million, comprising the asset management and insurance portfolios, as well as the core deposits, all with finite useful lives, were amortised (210 million euro before tax on the income statement for the period). Qualitative analyses on the trends in amounts, product profitability and discounting rates were also carried out for these assets, in order to identify any impairment indicators. These analyses did not identify any critical aspects with respect to the situation at the end of 2011.

Finally, with regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the half-yearly report as at 30 June 2012 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

Information on relations with related parties

Relations with related parties continued to be monitored attentively in the first half of 2012.
In addition to that described in the specific chapter of the Explanatory Notes, no situations emerged in the half-year other than those typical of standard bank relations with individual and corporate customers. The transactions were entered into at market conditions, and, in any event, were based on valuations of mutual convenience, in line with the internal procedures defined for this purpose.

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		30.06.2012	31.12.2011	Changes	
				amount	%
10.	Cash and cash equivalents	4,150	4,061	89	2.2
20.	Financial assets held for trading	66,080	59,963	6,117	10.2
30.	Financial assets designated at fair value through profit and loss	37,842	34,253	3,589	10.5
40.	Financial assets available for sale	88,408	68,777	19,631	28.5
50.	Investments held to maturity	2,222	2,621	-399	-15.2
60.	Due from banks	35,826	35,865	-39	-0.1
70.	Loans to customers	374,953	376,744	-1,791	-0.5
80.	Hedging derivatives	11,708	10,248	1,460	14.2
90.	Fair value change of financial assets in hedged portfolios (+/-)	118	137	-19	-13.9
100.	Investments in associates and companies subject to joint control	2,795	2,630	165	6.3
110.	Technical insurance reserves reassured with third parties	15	15	-	-
120.	Property and equipment	5,511	5,536	-25	-0.5
130.	Intangible assets	14,830	15,041	-211	-1.4
	of which				
	- goodwill	*8,671*	*8,689*	*-18*	*-0.2*
140.	Tax assets	13,313	14,702	-1,389	-9.4
	a) current	*3,175*	*2,379*	*796*	*33.5*
	b) deferred	*10,138*	*12,323*	*-2,185*	*-17.7*
150.	Non-current assets held for sale and discontinued operations	27	26	1	3.8
160.	Other assets	8,619	8,602	17	0.2
Total Assets		**666,417**	**639,221**	**27,196**	**4.3**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2012	31.12.2011	Changes	
				amount	%
10.	Due to banks	83,617	78,644	4,973	6.3
20.	Due to customers	205,849	197,165	8,684	4.4
30.	Securities issued	159,790	160,245	-455	-0.3
40.	Financial liabilities held for trading	54,921	48,740	6,181	12.7
50.	Financial liabilities designated at fair value through profit and loss	24,854	22,653	2,201	9.7
60.	Hedging derivatives	9,851	8,576	1,275	14.9
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	2,016	1,686	330	19.6
80.	Tax liabilities	2,931	4,064	-1,133	-27.9
	a) current	*864*	*689*	*175*	*25.4*
	b) deferred	*2,067*	*3,375*	*-1,308*	*-38.8*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	16,944	13,963	2,981	21.3
110.	Employee termination indemnities	1,316	1,338	-22	-1.6
120.	Allowances for risks and charges	3,362	3,628	-266	-7.3
	a) post employment benefits	*391*	*402*	*-11*	*-2.7*
	b) other allowances	*2,971*	*3,226*	*-255*	*-7.9*
130.	Technical reserves	52,310	50,761	1,549	3.1
140.	Valuation reserves	-2,704	-3,298	-594	-18.0
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,963	13,843	-3,880	-28.0
180.	Share premium reserve	30,934	36,143	-5,209	-14.4
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-15	-4	11	
210.	Minority interests (+/-)	658	718	-60	-8.4
220.	Net income (loss)	1,274	-8,190	9,464	
Total Liabilities and Shareholders' Equity		**666,417**	**639,221**	**27,196**	**4.3**

Consolidated income statement

(millions of euro)

	1st half of 2012	1st half of 2011	Changes amount	Changes %
10. Interest and similar income	10,018	9,195	823	9.0
20. Interest and similar expense	-4,170	-3,627	543	15.0
30. Interest margin	**5,848**	**5,568**	**280**	**5.0**
40. Fee and commission income	3,185	3,176	9	0.3
50. Fee and commission expense	-709	-620	89	14.4
60. Net fee and commission income	**2,476**	**2,556**	**-80**	**-3.1**
70. Dividend and similar income	314	376	-62	-16.5
80. Profits (Losses) on trading	277	167	110	65.9
90. Fair value adjustments in hedge accounting	-4	-29	-25	-86.2
100. Profits (Losses) on disposal or repurchase of	468	475	-7	-1.5
a) loans	*1*	*12*	*-11*	*-91.7*
b) financial assets available for sale	*206*	*457*	*-251*	*-54.9*
c) investments held to maturity	*-3*	*-1*	*2*	
d) financial liabilities	*264*	*7*	*257*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	714	-109	823	
120. Net interest and other banking income	**10,093**	**9,004**	**1,089**	**12.1**
130. Net losses / recoveries on impairment	-1,959	-1,395	564	40.4
a) loans	*-1,843*	*-1,343*	*500*	*37.2*
b) financial assets available for sale	*-68*	*-86*	*-18*	*-20.9*
c) investments held to maturity	*-*	*-1*	*-1*	
d) other financial activities	*-48*	*35*	*-83*	
140. Net income from banking activities	**8,134**	**7,609**	**525**	**6.9**
150. Net insurance premiums	2,857	5,669	-2,812	-49.6
160. Other net insurance income (expense)	-4,164	-6,089	-1,925	-31.6
170. Net income from banking and insurance activities	**6,827**	**7,189**	**-362**	**-5.0**
180. Administrative expenses	-4,490	-4,520	-30	-0.7
a) personnel expenses	*-2,771*	*-2,792*	*-21*	*-0.8*
b) other administrative expenses	*-1,719*	*-1,728*	*-9*	*-0.5*
190. Net provisions for risks and charges	-79	-88	-9	-10.2
200. Net adjustments to / recoveries on property and equipment	-187	-182	5	2.7
210. Net adjustments to / recoveries on intangible assets	-341	-348	-7	-2.0
220. Other operating expenses (income)	249	236	13	5.5
230. Operating expenses	**-4,848**	**-4,902**	**-54**	**-1.1**
240. Profits (Losses) on investments in associates and companies subject to joint control	18	-128	146	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	3	176	-173	-98.3
280. Income (Loss) before tax from continuing operations	**2,000**	**2,335**	**-335**	**-14.3**
290. Taxes on income from continuing operations	-689	-888	-199	-22.4
300. Income (Loss) after tax from continuing operations	**1,311**	**1,447**	**-136**	**-9.4**
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**1,311**	**1,447**	**-136**	**-9.4**
330. Minority interests	-37	-45	-8	-17.8
340. Parent Company's net income (loss)	**1,274**	**1,402**	**-128**	**-9.1**
Basic EPS - Euro	**0.08**	**0.11**		
Diluted EPS - Euro	**0.08**	**0.11**		

Statement of consolidated comprehensive income

(millions of euro)

	1st half of 2012	1st half of 2011	Changes amount	Changes %
10. NET INCOME (LOSS)	**1,311**	**1,447**	**-136**	**-9.4**
Other comprehensive income (net of tax)				
20. Financial assets available for sale	780	44	736	
30. Property and equipment	-	-	-	
40. Intangible assets	-	-	-	
50. Hedges of foreign investments	-	-	-	
60. Cash flow hedges	-191	153	-344	
70. Foreign exchange differences	5	-86	91	
80. Non-current assets held for sale	-	-	-	
90. Actuarial gains (losses) on defined benefit plans	-	-	-	
100. Share of valuation reserves connected with investments carried at equity	2	-7	9	
110. Total other comprehensive income (net of tax)	**596**	**104**	**492**	
120. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)	**1,907**	**1,551**	**356**	**23**
130. Total consolidated comprehensive income pertaining to minority interests	**39**	**32**	**7**	
140. Total consolidated comprehensive income pertaining to the Parent Company	**1,868**	**1,519**	**349**	

Changes in consolidated shareholders' equity as at 30 June 2012

(millions of euro)

	30.06.2012											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2012	**8,461**	**488**	**36,213**	**13,920**	**99**	**-3,292**	**-**	**-4**	**-8,127**	**47,758**	*47,040*	*718*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves	**-**	**-**	**-5,209**	**-2,967**	**-**				**8,176**	**-**	*-*	*-*
Dividends and other allocations									**-49**	**-49**	*-*	*-49*
CHANGES IN THE PERIOD												
Changes in reserves				**-102**	**-**	**-**				**-102**	*-77*	*-25*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			2		**2**	*2*	*-*
Purchase of treasury shares	-	-		-				-13		**-13**	*-13*	*-*
Extraordinary dividends				-822	-					**-822**	*-822*	*-*
Changes in equity instruments							-			**-**	*-*	*-*
Derivatives on treasury shares					-					**-**	*-*	*-*
Stock options					-					**-**	*-*	*-*
Other	-22	-	-3	-	-					**-25**	*-*	*-25*
Total comprehensive income for the period						**596**			**1,311**	**1,907**	*1,868*	*39*
SHAREHOLDERS' EQUITY AS AT 30.06.2012	**8,439**	**488**	**31,001**	**10,029**	**99**	**-2,696**	**-**	**-15**	**1,311**	**48,656**	*47,998*	*658*
- Group	**8,061**	**485**	**30,934**	**9,864**	**99**	**-2,704**	**-**	**-15**	**1,274**	**47,998**		
- minority interests	**378**	**3**	**67**	**165**	**-**	**8**	**-**	**-**	**37**	**658**		

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

Changes in consolidated shareholders' equity as at 30 June 2011

(millions of euro)

	30.06.2011											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2011	**6,600**	**488**	**33,227**	**12,465**	**99**	**-1,045**	**-**	**-10**	**2,776**	**54,600**	*53,533*	*1,067*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves	**-**	**-**	**-**	**1,699**	**-**				**-1,699**	**-**	*-*	*-*
Dividends and other allocations									**-1,077**	**-1,077**	*-1,043*	*-34*
CHANGES IN THE PERIOD												
Changes in reserves				**-67**	**-**	**-**				**-67**	*-13*	*-54*
Operations on shareholders' equity												
Issue of new shares	1,899	-	3,041	-	-			-		**4,940**	*4,940*	-
Purchase of treasury shares			-	-				-1		**-1**	*-1*	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options				-	-					**-**	-	-
Other	36		-9		-					**27**	-	*27*
Total comprehensive income for the period						**104**			**1,447**	**1,551**	*1,519*	*32*
SHAREHOLDERS' EQUITY AS AT 30.06.2011	**8,535**	**488**	**36,259**	**14,097**	**99**	**-941**	**-**	**-11**	**1,447**	**59,973**	*58,935*	*1,038*
- Group	**8,061**	**485**	**36,143**	**13,693**	**99**	**-937**	**-**	**-11**	**1,402**	**58,935**		
- minority interests	**474**	**3**	**116**	**404**	**-**	**-4**	**-**	**-**	**45**	**1,038**		

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2012	30.06.2011
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**3,146**	**6,740**
- net income (loss) (+/-)	1,311	1,447
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-88	818
- gains/losses on hedging activities (-/+)	4	29
- net losses/recoveries on impairment (+/-)	2,295	1,882
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	528	530
- net provisions for risks and charges and other costs/revenues (+/-)	146	140
- net insurance premiums to be collected (-)	3	-
- other insurance revenues/charges to be collected (-/+)	656	3,066
- taxes and duties to be settled (+)	-276	198
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,433	-1,370
2. Cash flow from / used in financial assets	**-27,919**	**5,127**
- financial assets held for trading	-5,908	11,572
- financial assets designated at fair value through profit and loss	-2,137	-1,073
- financial assets available for sale	-18,343	-6,696
- due from banks: repayable on demand	-5,208	-64
- due from banks: other	5,248	-2,533
- loans to customers	-399	2,013
- other assets	-1,172	1,908
3. Cash flow from / used in financial liabilities	**25,815**	**-17,690**
- due to banks: repayable on demand	854	-424
- due to banks: other	4,081	-2,397
- due to customers	8,679	-5,805
- securities issued	-191	-3,702
- financial liabilities held for trading	6,249	-6,892
- financial liabilities designated at fair value through profit and loss	1,463	-1,204
- other liabilities	4,680	2,734
Net cash flow from (used in) operating activities	**1,042**	**-5,823**
B. INVESTING ACTIVITIES		
1. Cash flow from	**425**	**1,748**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	29	26
- sales/reimbursements of investments held to maturity	396	982
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	740
2. Cash flow used in	**-485**	**-285**
- purchases of investments in associates and companies subject to joint control	-145	-137
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-163	-20
- purchases of intangible assets	-148	-128
- purchases of subsidiaries and business branches	-29	-
Net cash flow from (used in) investing activities	**-60**	**1,463**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-11	-1
- share capital increases	-	4,940
- dividend distribution and other	-871	-1,077
Net cash flow from (used in) financing activities	**-882**	**3,862**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**100**	**-498**
RECONCILIATION		
Cash and cash equivalents at beginning of period	4,061	4,758
Net increase (decrease) in cash and cash equivalents	100	-498
Cash and cash equivalents: foreign exchange effect	-11	-8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,150**	**4,252**

LEGEND: (+) from (–) used in

EXPLANATORY NOTES

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2012 have been prepared in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission and in force as at 30 June 2012 according to EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements have been prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.
The half-yearly condensed consolidated financial statements have been prepared using the principles endorsed and in force as at 30 June 2012, including related SIC and IFRIC interpretation documents.
The following Regulations were published by the European Commission in 2011 and first half of 2012, endorsing the standards listed below:

- Regulation no. 1205/2011, Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets, applicable from 2012;
- Regulation no. 475/2012 – Amendments to IAS 1 and IAS 19, applicable from 2013.

Regulation no. 1205/2011 integrates IFRS 7 with the aim of facilitating a more accurate assessment of risks associated with the transfer of financial assets and related effects on the financial position of the entity and to render transfer transactions more transparent, particularly securitisations. The Regulation has no impact on these half-yearly condensed consolidated financial statements but will apply in the 2012 Financial Statements, in which a specific disclosure is envisaged on securitisations, the main purpose of the amendments to IFRS 7.
Regulation no. 475/2012 endorsed certain amendments to IAS 1 to increase the clarity of the statement of comprehensive income (Other Comprehensive Income – OCI), by grouping together captions that in future will not be subject to reversal to the income statement and those that may be subject to reversal to the income statement under specific conditions. The same Regulation endorsed the new version of IAS 19, the aim of which is to facilitate the ease of understanding and comparability of financial statements, especially with regard to defined benefit plans. The more important new elements introduced refer to elimination of the "corridor method", with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income. The Regulation will apply with effect from 2013. Therefore none of the European Regulations endorsing the international accounting standards as described above have affected preparation of the half-yearly condensed consolidated financial statements as at 30 June 2012.

The accounting policies adopted in the preparation of the Half-yearly condensed consolidated financial statements, for classification, recognition, measurement and derecognition of asset and liability captions, and the means of recognition of revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group's Annual report 2011, to which, therefore, reference must be made.
Preparation of the Half-yearly condensed consolidated financial statements requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the Annual report 2011 for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed in their entirety at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indicators which require the immediate valuation of losses.

The Half-yearly condensed consolidated financial statements, prepared in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The Balance sheet as at 30 June 2012 solely includes certain real-estate assets due for imminent disposal under non-current assets held for sale and discontinued operations. The Income statement as at 30 June 2012, on the other hand, does not contain any profits or losses on discontinued operations.

As usual, condensed reclassified income statements have been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, 2011 figures are restated, where necessary, to account for changes in the scope of consolidation. The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Attached to the Half-yearly condensed consolidated financial statements are the reconciliations between the financial statements and the aforementioned condensed reclassified statements.

The Half-yearly condensed consolidated financial statements as at 30 June 2012 are complemented by certification of the Managing Director – CEO and the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and are subject to limited review.

Scope of consolidation and consolidation methods

Scope of consolidation

The Condensed financial statements as at 30 June 2012 include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
No significant changes have occurred with respect to the position as at 31 December 2011 in the scope of consolidation nor were concluded intragroup transactions of particular importance.

With regard to intragroup transactions, note also that as part of the Group's territorial reorganisation to complete the organisational model for Banca dei Territori, which envisages brand standardisation at local level, the assignment by partial spin-off of part of Cassa di Risparmio di Firenze is expected by the end of 2012, i.e.:
- the business unit comprising 23 branches in Lombardia and Lazio, in additional to the investment held in the share capital of Cassa di Risparmio di Ascoli Piceno S.p.A. in favour of Intesa Sanpaolo;
- the business unit comprising one branch operating in Veneto in favour of CR Veneto;
- the business unit comprising 32 branches operating in Emilia Romagna in favour of Carisbo.

Implementation of the project, approved at the end of June by the Parent Company Management Board and by the Boards of Directors of the companies involved, is – as already mentioned – planned by the end of 2012, subject to release of the necessary authorisations.
In addition, as part of the rationalisation objectives at Group level, the merger by incorporation of Banco Emiliano Romagnolo, Finanziaria B.T.B., Intesa Investimenti and SEP Servizi e Progetti into Intesa Sanpaolo has been decided.
Lastly, at the beginning of July – as explained in greater detail in the chapter on subsequent events, Intesa Sanpaolo's Management Board decided to proceed with the full spin-off of Banca Infrastrutture Innovazione e Sviluppo (BIIS) to Intesa Sanpaolo (credit, commercial and advisory services) and Leasint (leasing activities previously carried out by BIIS in favour of Public Administration). This transaction, which follows on from the repositioning of BIIS under the CIB Division, will be completed – once the authorisation and statutory requirements are met – by 1 November, with retroactive accounting and tax effects as at 1 January 2012.

As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2011 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2012 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and always in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Half-yearly condensed consolidated financial statements as at 30 June 2012.

Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES					
Parent Company					
Intesa Sanpaolo S.p.A. Capital Euro 8.545.561.614,72 in shares of Euro 0,52	Torino				
A. 1 Companies subject to full consolidation					
1 Adriano Finance S.r.l. (c) Capital Euro 15.000	Roma	4	Intesa Sanpaolo	5.00	
2 Adriano Finance 2 S.r.l. (c) Capital Euro 10.000	Milano	4	Intesa Sanpaolo	5.00	
3 Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.40	
4 B.I. Private Equity Ltd Capital Euro 100.000	Dublin	1	Private Equity International	100.00	
5 Banca C.R. Firenze Romania S.A. Capital RON 43.087.365	Bucharest	1	Cassa di Risparmio di Firenze	100.00	
6 Banca dell'Adriatico S.p.A. Capital Euro 272.652.000	Pesaro	1	Intesa Sanpaolo	100.00	
7 Banca di Credito Sardo S.p.A. Capital Euro 258.276.569,35	Cagliari	1	Intesa Sanpaolo	100.00	
8 Banca di Trento e Bolzano S.p.A. (e) Capital Euro 65.915.704,40	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	23.33 54.68 78.01	
9 Banca Fideuram S.p.A. Capital Euro 186.255.207,16	Roma	1	Intesa Sanpaolo	100.00	
10 Banca IMI S.p.A. Capital Euro 962.464.000	Milano	1	Intesa Sanpaolo	100.00	
11 Banca Imi Securities Corp Capital Usd 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
12 Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346.300.000	Roma	1	Intesa Sanpaolo	100.00	
13 Banca Intesa (Closed Joint-Stock Company) (n) Capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98 86.74	
14 Banca Intesa a.d., Beograd (f) Capital RSD 21.315.900.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
15 Banca Monte Parma S.p.A. Capital Euro 147.359.895,03	Parma	1	Intesa Sanpaolo	78.62	
16 Banca Prossima S.p.A. (p) Capital Euro 80.000.000	Milano	1	Intesa Sanpaolo	71.67	
17 Banco di Napoli S.p.A. Capital Euro 1.000.000.000	Napoli	1	Intesa Sanpaolo	100.00	
18 Banco Emiliano Romagnolo S.p.A. Capital Euro 12.121.877,92	Bologna	1	Intesa Sanpaolo	99.97	
19 Bank of Alexandria S.A.E. (g) Capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
20 Banka Koper d.d. (h) Capital Euro 22.173.218,16	Koper	1	Intesa Sanpaolo	97.56	
21 Brivon Hungary Zrt Capital HUF 10.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
22 Canova Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
23 Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214.428.465	Forlì	1	Intesa Sanpaolo	82.08	
24 Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210.263.000	Gorizia	1	Intesa Sanpaolo	100.00	
25 Cassa di Risparmio del Veneto S.p.A. Capital Euro 781.169.000	Padova	1	Intesa Sanpaolo	100.00	
26 Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49.407.056,31	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
27 Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70.755.020	Ascoli Piceno	1	Cassa di Risparmio di Firenze	66.00	
28 Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23.750.000	Città di Castello	1	Cassa di Risparmio di Firenze	100.00	
29 Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34.505.380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
30	Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828.836.017	Firenze	1	Intesa Sanpaolo	89.71	
31	Cassa di Risparmio di Foligno S.p.A. Capital Euro 17.720.820	Foligno	1	Cassa di Risparmio di Firenze	91.76	
32	Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141.987.825	Pistoia	1	Cassa di Risparmio di Firenze	65.59	60.00
33	Cassa di Risparmio di Rieti S.p.A. Capital Euro 47.339.291	Rieti	1	Cassa di Risparmio di Firenze	85.00	
34	Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42.489.053	Spoleto	1	Cassa di Risparmio di Firenze	88.36	93.42
35	Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21.000.000	Terni	1	Cassa di Risparmio di Firenze	100.00	
36	Cassa di Risparmio di Venezia S.p.A. Capital Euro 284.536.000	Venezia	1	Intesa Sanpaolo	100.00	
37	Cassa di Risparmio in Bologna S.p.A. Capital Euro 696.692.000	Bologna	1	Intesa Sanpaolo	100.00	
38	Centro Factoring S.p.A. Capital Euro 25.200.000	Firenze	1	Cassa di Risparmio di Firenze	41.77	
				Centro Leasing	14.94	
				Intesa Sanpaolo	11.38	
				Cassa di Risparmio di Pistoia e Pescia	5.73	
				Cassa dei Risparmi di Forlì e della Romagna	0.11	
					73.93	
39	Centro Leasing S.p.A. Capital Euro 155.020.051,50	Firenze	1	Leasint	58.09	
				Cassa di Risparmio di Firenze	30.10	
					88.19	
40	Cib Bank Ltd Capital HUF 145.000.000.001	Budapest	1	Intesa Sanpaolo Holding International	67.69	
				Intesa Sanpaolo	32.31	
					100.00	
41	CIB Car Trading Ltd Capital HUF 10.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
42	CIB Factor Financial Services Ltd (già CIB Factor Financial Service Ltd) Capital HUF 103.500.000	Budapest	1	Recovery Property Utilisation and Services	50.00	
				Cib Bank	50.00	
					100.00	
43	CIB Insurance Broker Ltd Capital HUF 10.000.000	Budapest	1	CIB Leasing	100.00	
44	CIB Investment Fund Management Ltd Capital HUF 600.000.000	Budapest	1	Cib Bank	94.98	
				Recovery Property Utilisation and Services	5.02	
					100.00	
45	CIB Leasing Holding Limited Liability Company Capital HUF 500.000	Budapest	1	Cib Bank	100.00	
46	CIB Leasing Ltd Capital HUF 52.000.000	Budapest	1	CIB Leasing Holding	98.19	
				CIB Real Estate	1.81	
					100.00	
47	CIB Real Estate Ltd Capital HUF 52.000.000	Budapest	1	Cib Bank	100.00	
48	CIB Rent Operative Leasing Ltd Capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
49	Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
50	Compagnia Italiana Finanziaria - CIF S.r.l. Capital Euro 138.864.869,34	Milano	1	IN.FRA - Investire nelle Infrastrutture	52.75	
51	Consumer Finance Holding a.s. Capital Euro 53.110.277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
52	DB Platinum II Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita	100.00	
53	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
54	Epsilon Associati SGR S.p.A. Capital Euro 5.200.000	Milano	1	Eurizon Capital SGR	51.00	
				Banca IMI	49.00	
					100.00	
55	Equiter S.p.A. Capital Euro 150.000.000	Torino	1	Intesa Sanpaolo	100.00	
56	Eurizon Capital S.A. Capital Euro 7.557.200	Luxembourg	1	Eurizon Capital SGR	100.00	
57	Eurizon Capital SGR S.p.A. Capital Euro 95.010.000	Milano	1	Intesa Sanpaolo	100.00	
58	Eurizon Investment Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita	43.29	
				Intesa Sanpaolo Life	51.01	
					94.30	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
59	Euro-Tresorerie S.A. Capital Euro 250.038.322,20	Paris	1	Financière Fideuram	100.00	
60	Fideuram Asset Management (Ireland) Ltd Capital Euro 1.000.000	Dublin	1	Banca Fideuram	100.00	
61	Fideuram Bank Luxembourg S.A. Capital Euro 30.000.000	Luxembourg	1	Banca Fideuram	100.00	
62	Fideuram Fiduciaria S.p.A. Capital Euro 1.551.000	Roma	1	Banca Fideuram	100.00	
63	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	69.01 19.73 88.74	
64	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	83.77 0.04 83.81	
65	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	67.73 1.14 68.87	
66	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	94.04 0.09 94.13	
67	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	92.86 4.48 97.34	
68	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	90.61 5.88 96.49	
69	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	91.53 4.41 95.94	
70	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	61.97 5.75 67.72	
71	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	81.32 2.83 84.15	
72	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	86.52 2.20 88.72	
73	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	93.40 2.68 96.08	
74	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	84.73 1.98 86.71	
75	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	92.02 2.72 94.74	
76	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	94.83 4.16 98.99	
77	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	92.63 6.02 98.65	
78	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	88.40 1.91 90.31	
79	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	77.16 8.03 85.19	
80	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	82.69 5.51 88.20	
81	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	69.41 12.75 82.16	
82	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Fideuram Vita	100.00	
83	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	100.00	
84	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
85	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
86	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
87	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
88	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
89	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
90	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
91	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
92	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
93	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
94	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
95	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
96	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	
97	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
99	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
111	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	100.00	
112	Fideuram Fund Zero Coupon 2042 (d)	Luxembourg	4	Fideuram Vita	100.00	
113	Fideuram Gestions S.A. Capital Euro 10.000.000	Luxembourg	1	Banca Fideuram Fideuram Vita	99.94 0.06 100.00	
114	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25.850.000	Milano	1	Banca Fideuram	99.50	
115	Fideuram Vita S.p.A. Capital Euro 356.946.836	Roma	1	Intesa Sanpaolo Banca Fideuram	80.01 19.99 100.00	
116	Financière Fideuram S.A. Capital Euro 346.761.600	Paris	1	Banca Fideuram	100.00	
117	Finanziaria B.T.B. S.p.A. Capital Euro 56.832.921,60	Trento	1	Intesa Sanpaolo	99.29	
118	Finor Leasing d.o.o. Capital Euro 2.044.700	Koper	1	Banka Koper	100.00	
119	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
120	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	31.35 25.06 56.41	
121	Fondo Bond Eur Medium Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	31.34 28.32 59.66	
122	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	35.63 33.02 68.65	
123	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	33.41 46.87 80.28	
124	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	38.94 36.88 75.82	
125	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	37.28 33.75 71.03	
126	Fondo Cash Eur (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	33.02 19.55 52.57	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
127	Fondo Equity Consumer Discretionary (d)	Luxembourg	4	Intesa Sanpaolo Life	1.10	
				Intesa Sanpaolo Vita	53.11	
					54.21	
128	Fondo Equity High Tech (d)	Luxembourg	4	Intesa Sanpaolo Life	0.18	
				Intesa Sanpaolo Vita	64.08	
					64.26	
129	Fondo Equity North America (d)	Luxembourg	4	Intesa Sanpaolo Life	22.94	
				Intesa Sanpaolo Vita	31.40	
					54.34	
130	Fondo Equity Telecommunication (d)	Luxembourg	4	Intesa Sanpaolo Life	0.14	
				Intesa Sanpaolo Vita	58.38	
					58.52	
131	Fondo Euro Cash (d)	Luxembourg	4	Intesa Sanpaolo Life	24.91	
				Intesa Sanpaolo Vita	29.17	
					54.08	
132	Fondo Flexible Strategy (d)	Luxembourg	4	Intesa Sanpaolo Vita	81.13	
133	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	Intesa Sanpaolo Vita	89.60	
134	Hayez Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
135	IMI Capital Markets USA Corp. Capital USD 5.000	New York	1	IMI Investments	100.00	
136	IMI Finance Luxembourg S.A. Capital Euro 100.000	Luxembourg	1	IMI Investments	100.00	
137	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2.000.000	Bologna	1	IMI Investimenti	100.00	
138	IMI Investimenti S.p.A. Capital Euro 579.184.200	Bologna	1	Intesa Sanpaolo	100.00	
139	IMI Investments S.A. Capital Euro 21.660.000	Luxembourg	1	Banca IMI	100.00	
140	Immobiliare Nuova Sede S.r.l. Capital Euro 51.480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
141	IN.FRA - Investire nelle Infrastrutture S.p.A. (o) Capital Euro 117.342.245,47	Milano	1	Intesa Sanpaolo	90.60	
142	Infogroup S.c.p.A. Capital Euro 4.352.000	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e Pescia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				minority interests	0.02	
					100.00	
143	Iniziative Logistiche S.r.l. Capital Euro 58.901.017,54	Milano	1	IN.FRA - Investire nelle Infrastrutture	54.94	
144	Intesa Funding LLC Capital USD 25.000	Wilmington	1	Intesa Sanpaolo	100.00	
145	Intesa Global Finance Company Ltd Capital Euro 100.000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
146	Intesa Investimenti S.p.A. Capital Euro 1.000.000.000	Milano	1	Intesa Sanpaolo	100.00	
147	Intesa Lease Sec S.r.l. Capital Euro 60.000	Milano	1	Intesa Sanpaolo	100.00	
148	Intesa Leasing (Closed Joint-Stock Company) Capital RUB 3.000.000	Moscow	1	Banca Intesa (Closed Joint-Stock Company)	100.00	
149	Intesa Leasing d.o.o. Beograd Capital RSD 960.374.301	Beograd	1	Banca Intesa Beograd	100.00	
150	Intesa Real Estate S.r.l. Capital Euro 4.625.000	Milano	1	Intesa Sanpaolo	100.00	
151	Intesa Sanpaolo Assicura S.p.A. Capital Euro 27.912.258	Torino	1	Intesa Sanpaolo Vita	100.00	
152	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	98.61	100.00
153	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400.500.000	Dublin	1	Intesa Sanpaolo	100.00	
154	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
155	Intesa Sanpaolo Card BH D.O.O. Capital BAM 3.649.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
156	Intesa Sanpaolo Card d.o.o. - Ljubljana Capital Euro 5.618.760,80	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
157	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30.863.400	Zagreb	1	Intesa Sanpaolo Holding International Privredna Banka Zagreb Banka Koper	51.32 33.34 15.34 100.00	
158	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272.057.000	Torino	1	Intesa Sanpaolo Banca Fideuram Cassa di Risparmio del Veneto Cassa di Risparmio di Firenze Banco di Napoli Banca Imi Eurizon Capital SGR Intesa Sanpaolo Vita minority interests	99.87 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.06 100.00	
159	Intesa Sanpaolo Holding International S.A. Capital Euro 6.911.412.712	Luxembourg	1	Intesa Sanpaolo	100.00	
160	Intesa Sanpaolo Immobilière S.A. Capital Euro 250.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
161	Intesa Sanpaolo Leasing Romania IFN S.A. Capital RON 1.080.000	Bucharest	1	Intesa Sanpaolo Romania CIB Leasing	99.50 0.50 100.00	
162	Intesa Sanpaolo Life Ltd Capital Euro 625.000	Dublin	1	Intesa Sanpaolo Vita	100.00	
163	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital Euro 15.300.000	Milano	1	Intesa Sanpaolo	100.00	
164	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20.000.000	Lugano	1	Intesa Sanpaolo Holding International	100.00	
165	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 105.313.200	Milano	1	Intesa Sanpaolo	100.00	
166	Intesa Sanpaolo Real Estate S.A. Capital Euro 2.940.476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
167	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 814.111.110	Arad	1	Intesa Sanpaolo Intesa Sanpaolo Holding International	99.61 0.39 100.00	
168	Intesa Sanpaolo Servitia S.A. Capital Euro 1.500.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
169	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1.032.000	Milano	1	Intesa Sanpaolo	100.00	
170	Intesa Sanpaolo Vita S.p.A. Capital Euro 320.322.508,16	Torino	1	Intesa Sanpaolo	99.98	
171	Intesa Sec. 2 S.r.l. Capital Euro 15.000	Milano	1	Intesa Sanpaolo	60.00	
172	Intesa Sec. 3 S.r.l. Capital Euro 70.000	Milano	1	Intesa Sanpaolo	60.00	
173	Intesa Sec. Npl S.p.A. Capital Euro 129.000	Milano	1	Intesa Sanpaolo	60.00	
174	Intesa Sec. S.p.A. Capital Euro 100.000	Milano	1	Intesa Sanpaolo	60.00	
175	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7.941.112,83	Lima	1	Intesa Sanpaolo	99.40	
176	ISP CB Ipotecario S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
177	ISP CB Pubbico S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
178	Leasint S.p.A. Capital Euro 172.043.500	Milano	1	Intesa Sanpaolo	100.00	
179	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
180	Lima Sudameris Holding S.A. in liquidazione Capital PEN 172.384.709,03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
181	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	
182	Lux Gest Asset Management S.A. Capital Euro 200.000	Luxembourg	1	Société Européenne de Banque	100.00	
183	Medimurska Banka d.d. Capital HRK 127.900.000	Čakovec	1	Privredna Banka Zagreb	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
184	Mediocredito Italiano S.p.A. Capital Euro 572.043.495	Milano	1	Intesa Sanpaolo	100.00	
185	Mediofactoring S.p.A. Capital Euro 220.000.000	Milano	1	Intesa Sanpaolo	100.00	
186	Mercurio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	88.92	
187	Moneta S.p.A. Capital Euro 176.611.670	Bologna	1	Intesa Sanpaolo	100.00	
188	Neos Finance S.p.A. Capital Euro 142.518.306	Bologna	1	Intesa Sanpaolo	100.00	
189	PBZ Card d.o.o. Capital HRK 43.422.200	Zagreb	1	Privredna Banka Zagreb	100.00	
190	PBZ Invest d.o.o. Capital HRK 5.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
191	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
192	PBZ Nekretnine d.o.o. Capital HRK 3.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
193	PBZ Stambena Stedionica d.d. Capital HRK 115.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
194	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 937.280.000	Kiev	1	Intesa Sanpaolo	100.00	
195	Private Equity International S.A. Capital Euro 251.125.360	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
196	Privredna Banka Zagreb d.d. (q) Capital HRK 1.907.476.900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
197	RE Consult Infrastrutture S.p.A. Capital Euro 121.150.000	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
198	Recovery a.s. Capital Euro 33.200	Bratislava	1	Vseobecna Uverova Banka	100.00	
199	Recovery Property Utilisation and Services ZRT. Capital HUF 5.000.000	Budapest	1	Cib Bank	100.00	
200	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
201	Sanpaolo Invest Ireland Ltd Capital Euro 500.000	Dublin	1	Banca Fideuram	100.00	
202	Sanpaolo Invest SIM S.p.A. Capital Euro 15.264.760	Roma	1	Banca Fideuram	100.00	
203	Setefi S.p.A. Capital Euro 8.450.000	Milano	1	Intesa Sanpaolo	100.00	
204	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2.600.000	Milano	1	Intesa Sanpaolo	100.00	
205	Société Européenne de Banque S.A. Capital Euro 275.091.520	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
206	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	91.21	
207	Split 2 S.r.l. (m)	Conegliano	4	Leasint	-	
208	Starling Finance Srl (r)	Dublin	4	Fideuram Vita	-	
209	Sudameris S.A. Capital Euro 49.671.600	Paris	1	Intesa Sanpaolo Holding International	99.87	
210	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
211	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
212	Vseobecna Uverova Banka a.s. Capital Euro 430.819.063,81	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
213	VUB Asset Management Sprav. Spol a.s. Capital Euro 1.660.000	Bratislava	1	Vseobecna Uverova Banka	100.00	
214	VUB Factoring a.s. Capital Euro 2.232.334	Bratislava	1	Vseobecna Uverova Banka	100.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
215	VUB Leasing a.s. Capital Euro 16.600.000	Bratislava	1	Vseobecna Uverova Banka	100.00	

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

(b) Available voting rights at Ordinary Shareholders' Meeting. Voting rights are presented only if other than the equity stake held in the company's capital.

(c) Company for which the Group holds the majority of risks and benefits (SIC 12).

(d) Collective investment entity in which the Group holds the majority of risks and benefits (SIC 12).

(e) Please note that there is a put option sold/call option purchased from minority shareholders on 8.72% of share capital.

(f) Please note that there is a put option sold/call option purchased from minority shareholders on 7% of share capital.

(g) In March 2009, 9.75% of the share capital of Bank of Alexandria (BOA) was sold to International Finance Corporation (IFC) with the concurrent signing by the parties of a Put&Call Agreement covering the portion sold by Intesa Sanpaolo. It should be noted that, based on the contractual clauses underlying the transaction and failing to meet IFRS recognition criteria, the percentage of equity investment includes the portion sold, while voting rights were transferred to the buyer.

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.44% of share capital.

(i) Please note that there is a put option sold from minority shareholders on 10.29% of share capital.

(j) Please note that there is a put option sold/call option purchased from minority shareholders on 39.64% of ordinary and savings shares.

(k) Company for which the Group holds the majority of risks and benefits (SIC 12); the group does not hold any equity stake in the share capital.

(l) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A., there is a share, equal to 1.39%, of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006.

(m) SDS - Società a Destinazione Specifica (special purpose entity) for the securitisation of leasing loans (pursuant to Law 130 of 30 April 1999) (SIC 12); the group does not hold any equity stake in the share capital.

(n) Please note that there is a put option sold/call option purchased from minority shareholders on 13.25% of share capital.

(o) Please note that there is a put option sold/call option purchased from minority shareholders on 9.40% of share capital.

(p) Please note that there is a put option sold/call option purchased from minority shareholders on 28.33% of share capital.

(q) Please note that there is a put option sold/call option purchased from minority shareholders on 21.22% of share capital.

(r) SDS - Società a Destinazione Specifica (special purpose entity) for the issue of structured products to hedge Unit-Linked policies (SIC 12).

Other information

Subsidiaries established and regulated under the laws of non-EU countries

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies established and regulated under the laws of non-EU countries (art. 36 Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana has also required that at the time of approval of the Parent Company's financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Market Regulation are met. Intesa Sanpaolo's declaration to this effect can be found in the Annual Report 2011.
In this respect, no acquisitions were completed in the first half of 2012 concerning companies established and registered under the laws of non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions of the Parent Company.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

Subsequent to the date of this half-yearly report, on 3 July 2012, as previously reported, Intesa Sanpaolo's Management Board decided to proceed with the full spin-off of Banca Infrastrutture Innovazione e Sviluppo (BIIS) to Intesa Sanpaolo (credit, commercial and advisory services) and Leasint (leasing activities previously carried out by BIIS in favour of Public Administration). More specifically, BIIS' Client Relationships Department will be integrated into the Corporate and Investment Banking Division (CIB Division) through creation of the Public Finance Department and will provide financing services for infrastructural projects and for the public sector.
This decision follows the new placement of BIIS under the CIB division, aiming to pool the respective skills with a view to rationalisation and simplification in line with the changing economic scenarios. This measure, which will have no impact at the consolidated financial statement level and which will be neutral from a fiscal viewpoint, is subject to the required authorisations by the Bank of Italy and will be completed – once the authorisation and statutory requirements are met – by 1 November, with retroactive accounting and tax effects as at 1 January 2012.

Also at the beginning of July, Intesa Sanpaolo launched a 1 billion euro bond issue on the Euromarket, targeted at international markets, in order to optimise its treasury management.
It is a three-year, fixed-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo.
It is the first senior unsecured benchmark issue by a eurozone peripheral bank after the EU summit at the end of June. The Group had already successfully placed two senior unsecured 18-month and 5-year benchmark bonds in January and February of this year, respectively. Demand – of which approximately 70% (1.4 billion) from international institutional investors – was double compared to the target of 1 billion. The 4.875% coupon is payable in arrears on 10 July of each year. Considering its 99.676% offer price, the yield to maturity is 4.994% per annum. The total spread for the investor is equal to the mid swap rate + 410 basis points. The bond, aimed at professional investors and international financial intermediaries, is listed on the Luxembourg Stock Exchange, as well as traded over-the-counter.

As already mentioned in the risk management chapter, in light of the recent downgrading of the Italian Republic and of Intesa Sanpaolo, the Group has decided to rationalise its securitisation transactions and its covered bond issues.
In June 2012, Intesa Sanpaolo offered the holders of covered bonds (CB) guaranteed by the vehicle ISP CB Pubblico S.r.l. the opportunity to exchange their bonds with new ones guaranteed by the vehicle ISP CB Ipotecario S.r.l., which have a higher rating. In particular:

- the 2 billion euro issue (yield 3.25% and maturity 28 April 2017), guaranteed by ISP CB Pubblico, was exchanged with a new issue guaranteed by ISP CB Ipotecario, with the same yield and maturity date. The exchange price was 100. The trade, concluded in early July, resulted in the issue of 1.8 billion euro in new securities;
- the 1.5 billion euro issue (yield 5% and maturity 27 January 2021), guaranteed by ISP CB Pubblico, was exchanged with a new issue guaranteed by ISP CB Ipotecario, with the same yield and maturity date. The exchange price was 100. The trade, concluded in early July, resulted in the issue of 1.3 billion euro in new securities.

On 15 July, Intesa Sanpaolo announced an invitation to the holders of specific subordinated and senior notes issued or guaranteed by Intesa Sanpaolo to sell said notes to Intesa Sanpaolo at the cash purchase price. This will enable the Group to optimise the structure of regulatory capital by increasing its Core Tier 1 Capital, as a result of the capital gain arising from the purchase of the notes tendered at prices below par and, at the same time, give holders the possibility to dispose of their investment at prices higher than the market prices recorded during the period prior to announcement of the invitation.
The transaction was settled on 2 July for a total 1,147,594,344 euro in subordinated notes (corresponding to a total purchase price of approximately 1,000,000,000 euro) and 507,320,000 euro in senior notes (corresponding to a total purchase price of approximately 500,000,000 euro).
As a result of the buy back finalisation, the Intesa Sanpaolo Group net income for third quarter 2012 will register a contribution of approximately 220 million euro, including the positive impact of the unwinding of interest rate derivatives.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, the 2011 income statement figures are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation.

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

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

The restated 2011 figures refer to the results before the acquisition of Banca Monte Parma and Banca Sara and exclude the contribution before the disposal of branches sold to Crédit Agricole and Fideuram Bank Suisse during that year.

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group's insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment losses of property, equipment and intangible assets have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express depreciation and amortisation – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- impairment losses on Greek government bonds and the bonds of other Greek public entities were recognised to Net impairment losses on other assets, regardless of their balance sheet classification (Financial assets available for sale or loans);
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Taxes on income from continuing operations, to which the portions of deductible Interest expense associated with the application of settlement procedures for the tax dispute, along with the amounts of the related fines, recognised among Other operating expenses, have been attributed;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments and any impairment to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

  Lastly, it should be noted that effective from the 2011 Financial statements, in the interest of providing a more accurate representation of ordinary operations, Goodwill impairment, which includes the considerable impairment losses on intangible assets, is presented, net of tax, among "non-current" income components, as was already the case for the Effect of purchase price allocation (net of tax).

Reclassified income statement

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Net interest income	4,932	4,760	172	3.6
Dividends and profits (losses) on investments carried at equity	55	41	14	34.1
Net fee and commission income	2,639	2,805	-166	-5.9
Profits (Losses) on trading	877	821	56	6.8
Income from insurance business	453	285	168	58.9
Other operating income (expenses)	-12	8	-20	
Operating income	**8,944**	**8,720**	**224**	**2.6**
Personnel expenses	-2,709	-2,747	-38	-1.4
Other administrative expenses	-1,429	-1,487	-58	-3.9
Adjustments to property, equipment and intangible assets	-312	-302	10	3.3
Operating costs	**-4,450**	**-4,536**	**-86**	**-1.9**
Operating margin	**4,494**	**4,184**	**310**	**7.4**
Net provisions for risks and charges	-71	-94	-23	-24.5
Net adjustments to loans	-2,055	-1,505	550	36.5
Net impairment losses on other assets	-98	-74	24	32.4
Profits (Losses) on investments held to maturity and on other investments	-8	33	-41	
Income (Loss) before tax from continuing operations	**2,262**	**2,544**	**-282**	**-11.1**
Taxes on income from continuing operations	-778	-960	-182	-19.0
Charges (net of tax) for integration and exit incentives	-24	-16	8	50.0
Effect of purchase price allocation (net of tax)	-149	-171	-22	-12.9
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-37	5	-42	
Net income (loss)	**1,274**	**1,402**	**-128**	**-9.1**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2012		2011			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,431	2,501	2,541	2,479	2,368	2,392
Dividends and profits (losses) on investments carried at equity	29	26	5	26	34	7
Net fee and commission income	1,322	1,317	1,339	1,322	1,410	1,395
Profits (Losses) on trading	161	716	173	-74	541	280
Income from insurance business	195	258	205	50	165	120
Other operating income (expenses)	-7	-5	2	-3	-3	11
Operating income	**4,131**	**4,813**	**4,265**	**3,800**	**4,515**	**4,205**
Personnel expenses	-1,353	-1,356	-1,348	-1,324	-1,375	-1,372
Other administrative expenses	-735	-694	-841	-752	-766	-721
Adjustments to property, equipment and intangible assets	-155	-157	-177	-159	-153	-149
Operating costs	**-2,243**	**-2,207**	**-2,366**	**-2,235**	**-2,294**	**-2,242**
Operating margin	**1,888**	**2,606**	**1,899**	**1,565**	**2,221**	**1,963**
Net provisions for risks and charges	-34	-37	-106	-18	-80	-14
Net adjustments to loans	-1,082	-973	-2,043	-695	-823	-682
Net impairment losses on other assets	-39	-59	-360	-635	-57	-17
Profits (Losses) on investments held to maturity and on other investments	-2	-6	-139	7	19	14
Income (Loss) before tax from continuing operations	**731**	**1,531**	**-749**	**224**	**1,280**	**1,264**
Taxes on income from continuing operations	-152	-626	976	894	-464	-496
Charges (net of tax) for integration and exit incentives	-10	-14	-53	-483	-12	-4
Effect of purchase price allocation (net of tax)	-76	-73	-67	-83	-85	-86
Goodwill impairment (net of tax)	-	-	-10,233	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-
Minority interests	-23	-14	7	-25	22	-17
Net income (loss)	**470**	**804**	**-10,119**	**527**	**741**	**661**

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

In the first half of 2012, in a context characterised by a new deterioration of the Eurozone financial crisis and, especially in Italy and other peripheral countries, by a decline in economic activity and by the crisis in consumer confidence, the Intesa Sanpaolo Group achieved a growth in operating income which, together with cost containment measures, resulted in an increase in the operating margin compared to the same period of the previous year. However, as a result of the increase in adjustments due to Italy's declining real economy, the half year net income of 1,274 million euro is down on that of the corresponding period of 2011.

Operating income

Operating income reported by the Group amounted to 8,944 million euro, up by 2.6% compared to the first six months of 2011.
The trend that emerges from the comparison was attributable to an appreciable increase in all income captions, with the exception of Net fee and commission income.
Revenues for the second quarter of 2012, however, were down 14.2% on those of the first quarter, which had benefited from particularly high profits on trading.

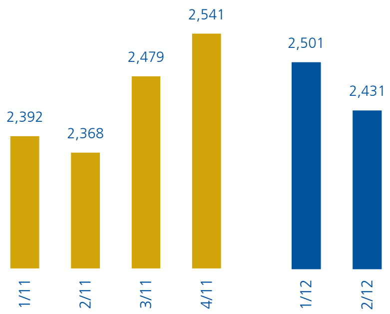
Net interest income

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Relations with customers	5,846	5,653	193	3.4
Securities issued	-2,864	-2,722	142	5.2
Differentials on hedging derivatives	768	751	17	2.3
Customer dealing	**3,750**	**3,682**	**68**	**1.8**
Financial assets held for trading	255	311	-56	-18.0
Investments held to maturity	46	54	-8	-14.8
Financial assets available for sale	578	301	277	92.0
Financial assets	**879**	**666**	**213**	**32.0**
Relations with banks	**-119**	**20**	**-139**	
Non-performing assets	**456**	**433**	**23**	**5.3**
Other net interest income	**-34**	**-41**	**-7**	**-17.1**
Net interest income	**4,932**	**4,760**	**172**	**3.6**

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

Quarterly development
Net interest income



In the first half of 2012 – aided by the improvement in pricing - net interest income came to 4,932 million euro, up 3.6% compared to the same period in 2011. During the same period, interbank market rates continued the decline that began in the second part of 2011. Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 3,750 million euro, up 1.8% over the same period of the previous year, despite higher interest expense on securities issued. This was due to the positive performance of the margin related to relations with customers, driven by the stronger contribution on loans and the slight increase in hedging differentials.
Compared to the first half of 2011, interest on financial assets increased 32% owing to the growth in assets available for sale (+277 million euro), which more than offset the drop in financial assets held for trading (-56 million euro) and the more limited decrease in investments held to maturity (-8 million euro).
Net interest on the interbank market reported a negative balance of 119 million euro, compared to net interest income of 20 million euro in the first half of 2011, reflecting in particular the increase in the exposure to the ECB, from the third quarter of 2011.

(millions of euro)

	2012		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	2,849	2,997	-148	-4.9
Securities issued	-1,449	-1,415	34	2.4
Differentials on hedging derivatives	435	333	102	30.6
Customer dealing	**1,835**	**1,915**	**-80**	**-4.2**
Financial assets held for trading	116	139	-23	-16.5
Investments held to maturity	22	24	-2	-8.3
Financial assets available for sale	300	278	22	7.9
Financial assets	**438**	**441**	**-3**	**-0.7**
Relations with banks	**-48**	**-71**	**-23**	**-32.4**
Non-performing assets	**226**	**230**	**-4**	**-1.7**
Other net interest income	**-20**	**-14**	**6**	**42.9**
Net interest income	**2,431**	**2,501**	**-70**	**-2.8**

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

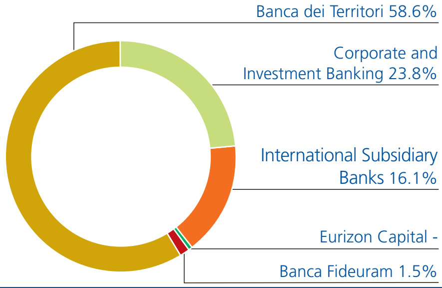
The interest margin for the second quarter recorded a 2.8% decrease on the first quarter of the year as a result of the sudden drop in market rates.

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Banca dei Territori	2,962	2,823	139	4.9
Corporate and Investment Banking	1,203	1,135	68	6.0
International Subsidiary Banks	817	872	-55	-6.3
Eurizon Capital	1	-	1	-
Banca Fideuram	74	65	9	13.8
Total business areas	**5,057**	**4,895**	**162**	**3.3**
Corporate Centre	-125	-135	-10	-7.4
Intesa Sanpaolo Group	**4,932**	**4,760**	**172**	**3.6**

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

Business areas



Banca dei Territori, which accounts for 59% of business area results, recorded a 4.9% increase in net interest income, mainly due to the greater contribution from repricing policies on loans to customers offset by smaller margins on deposits and from benefits from the hedging of demand loans and deposits. Corporate and Investment Banking also recorded an increase in the interest margin (+6%), attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italy and Mid Corporate segments), Mediofactoring and the public entities segment of BIIS, together with the positive contribution of the assets relating to Banca IMI's trading and AFS portfolio, which benefited both from an increase in average investments in fixed-income securities and a higher average return. Banca Fideuram also made a positive contribution, with a 13.8% increase in net interest income, largely attributable to the higher return on new investments achieved through a change in asset allocation. Conversely, net interest income for the International Subsidiary Banks was down (-6.3%).

Dividends and profits on investments carried at equity

In the first half of 2012, share dividends and profits on investments carried at equity came to 55 million euro, attributable to the effects of certain associates carried at equity as well as to the dividend paid by the Bank of Italy (29 million euro). The item recorded an increase compared to the 41 million euro in profits reported in the same period of the previous year. The dividends relate to companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

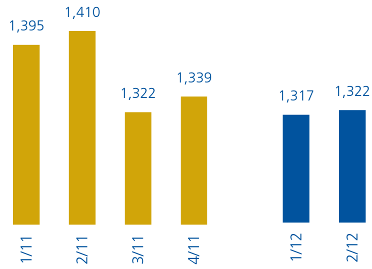
Net fee and commission income

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Guarantees given / received	158	184	-26	-14.1
Collection and payment services	166	167	-1	-0.6
Current accounts	466	428	38	8.9
Credit and debit cards	221	225	-4	-1.8
Commercial banking activities	**1,011**	**1,004**	**7**	**0.7**
Dealing and placement of securities	227	221	6	2.7
Currency dealing	25	28	-3	-10.7
Portfolio management	549	619	-70	-11.3
Distribution of insurance products	298	366	-68	-18.6
Other	56	60	-4	-6.7
Management, dealing and consultancy activities	**1,155**	**1,294**	**-139**	**-10.7**
Other net fee and commission income	**473**	**507**	**-34**	**-6.7**
Net fee and commission income	**2,639**	**2,805**	**-166**	**-5.9**

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

Quarterly development
Net fee and commission income



Net fee and commission income for the half year, which makes up about 30% of operating income, came to 2,639 million euro, down 5.9% compared to the corresponding period in 2011.
Fees and commissions on commercial banking activities were up slightly (+0.7%). The positive performance of fee and commission income on current accounts in fact offset the decrease in those on guarantees given and on credit and debit cards. The reduction in fee and commission income on guarantees given (-14.1%) was attributable to the impact in the first half of 2012 of the cost for the government guarantee on the Bank's bonds placed with the ECB at the end of December 2011 (over 40 million euro).
Management, dealing and consultancy activities overall generated net fee and commission income of 1,155 million euro, compared to 1,294 million euro for the first half of 2011. The slight increase in security dealing and placement commissions (+6 million euro) was not sufficient to offset the fall in fee and commission income from the distribution of insurance products (-68 million euro) and individual and collective portfolio management schemes (-70 million euro), currency dealing (-3 million euro) and other management and dealing activities (-4 million euro).
Other net fee and commission income amounted to 473 million euro, recording a 6.7% decrease essentially attributable to other commissions on loans issued, only partly offset by the higher revenues from factoring services.

(millions of euro)

	2012		Changes	
	Second quarter	First quarter	amount	%
Guarantees given / received	73	85	-12	-14.1
Collection and payment services	91	75	16	21.3
Current accounts	239	227	12	5.3
Credit and debit cards	113	108	5	4.6
Commercial banking activities	**516**	**495**	**21**	**4.2**
Dealing and placement of securities	87	140	-53	-37.9
Currency dealing	11	14	-3	-21.4
Portfolio management	273	276	-3	-1.1
Distribution of insurance products	157	141	16	11.3
Other	26	30	-4	-13.3
Management, dealing and consultancy activities	**554**	**601**	**-47**	**-7.8**
Other net fee and commission income	**252**	**221**	**31**	**14.0**
Net fee and commission income	**1,322**	**1,317**	**5**	**0.4**

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

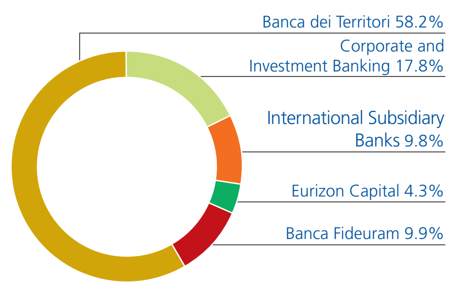
Compared to those of the first quarter of 2012, net fee and commission income for the second quarter recorded no significant change. The fall in fees and commissions on management, dealing and consultancy activities (-47 million euro) was counterbalanced by the increase in fees and commissions on commercial banking activities (+21 million euro) and other net fee and commission income (+31 million euro).

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Banca dei Territori	1,607	1,671	-64	-3.8
Corporate and Investment Banking	491	533	-42	-7.9
International Subsidiary Banks	269	285	-16	-5.6
Eurizon Capital	118	127	-9	-7.1
Banca Fideuram	274	287	-13	-4.5
Total business areas	**2,759**	**2,903**	**-144**	**-5.0**
Corporate Centre	-120	-98	22	22.4
Intesa Sanpaolo Group	**2,639**	**2,805**	**-166**	**-5.9**

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

Business areas



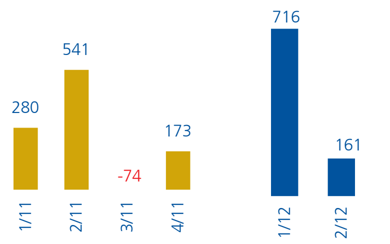
With regard to business areas, all Business Units recorded a declining trend. In particular, Banca dei Territori, which accounts for 58% of the fee and commission income of the business units, recorded the most significant decline (-3.8%), particularly due to the fall in fees and commissions on asset management and bancassurance products. Corporate and Investment Banking net fee and commission income recorded a 7.9% decrease attributable to the investment banking segment, especially in reference to the primary market and structured finance which in the first half of last year had benefited from non-recurring transactions. Smaller declines in absolute value were recorded for the International Subsidiary Banks (-5.6%), Banca Fideuram (-4.5%), mainly as a result of the fall in recurring fee and commission income due to the reduction in the average assets under management, and Eurizon Capital (-7.1%) due to lower average assets under management than in the first half of 2011 and to a higher incidence of captive insurance products with low profitability for Eurizon Capital compared to retail funds and portfolio management.

Profits (Losses) on trading

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Interest rates	376	215	161	74.9
Equity instruments	44	30	14	46.7
Currencies	56	89	-33	-37.1
Structured credit products	25	37	-12	-32.4
Credit derivatives	-64	-58	6	**10.3**
Commodity derivatives	12	6	6	
Trading result	**449**	**319**	**130**	**40.8**
Trading on AFS securities and financial liabilities	**428**	**502**	**-74**	**-14.7**
Profits (Losses) on trading	**877**	**821**	**56**	**6.8**

Quarterly development Profits (losses) on trading



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

Trading activities, which benefited from the period of lower uncertainty in the financial markets that characterised the first part of the year, yielded a profit of 877 million euro for the first half of 2012 compared to 821 million euro for the corresponding period of the previous year, up 6.8%. Both periods include non-recurring income: the first half of 2011 had benefited from capital gains on the sale of Findomestic and Prada (154 and 272 million euro, respectively), whereas the first half of 2012 includes the capital gains on the repurchase of own securities (274 million euro) and on the sale of the London Stock Exchange investment (94 million euro).
The positive trend in trading result was especially due to the contribution from interest rate transactions (+161 million euro) and equity transactions (+14 million euro), only partly mitigated by the declining trend in foreign currency and structured credit product transactions. Trading on AFS securities and financial liabilities, however, achieved lower revenues than in the first half of 2011 (-74 million euro). The decrease in revenues would be of a lower level (-16 million euro) if the aforementioned capital gains were not taken into account, totalling 426 million euro in the first half of 2011 and 368 million euro in the first half of 2012.
It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

(millions of euro)

	2012		Changes	
	Second quarter	First quarter	amount	%
Interest rates	31	345	-314	-91.0
Equity instruments	6	38	-32	-84.2
Currencies	41	15	26	
Structured credit products	5	20	-15	-75.0
Credit derivatives	10	-74	84	
Commodity derivatives	-5	17	-22	
Trading result	**88**	**361**	**-273**	**-75.6**
Trading on AFS securities and financial liabilities	**73**	**355**	**-282**	**-79.4**
Profits (Losses) on trading	**161**	**716**	**-555**	**-77.5**

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

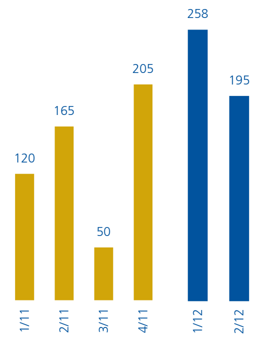
Despite the gains from disposal of the investment in the London Stock Exchange, the profits on trading for the second quarter (161 million euro) were significantly lower than the much more significant figure for the first part of the year (716 million euro), which had benefited from less financial market uncertainty and income deriving from the repurchase of own securities. The decrease can also be attributed to the valuation effects following the negative market performance.

Income from insurance business

(millions of euro)

Captions (a)	**30.06.2012**			**30.06.2011**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**64**	**10**	**74**	**58**	**20**	**78**	**-4**	**-5.1**
Net insurance premiums (b)	2,778	78	2,856	5,585	83	5,668	-2,812	-49.6
Net charges for insurance claims and surrenders (c)	-3,472	-35	-3,507	-3,001	-22	-3,023	484	16.0
Net charges for changes in technical reserves (d)	-284	-	-284	-2,939	-	-2,939	-2,655	-90.3
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,065	-	1,065	559	-	559	506	90.5
Net fees on investment contracts (f)	66	-	66	69	-	69	-3	-4.3
Commission expenses on insurance contracts (g)	-137	-33	-170	-225	-39	-264	-94	-35.6
Other technical income and expense (h)	48	-	48	10	-2	8	40	
Net investment result	**371**	**8**	**379**	**201**	**6**	**207**	**172**	**83.1**
Operating income from investments	2,319	8	2,327	688	6	694	1,633	
Net interest income	*1,084*	*7*	*1,091*	*940*	*5*	*945*	*146*	*15.4*
Dividends	*51*	*-*	*51*	*59*	*-*	*59*	*-8*	*-13.6*
Gains/losses on disposal	*358*	*1*	*359*	*341*	*1*	*342*	*17*	*5.0*
Valuation gains/losses	*1,109*	*-*	*1,109*	*-579*	*-*	*-579*	*1,688*	
Portfolio management fees paid (i)	*-84*	*-*	*-84*	*-79*	*-*	*-79*	*5*	*6.3*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-199*	*-*	*-199*	*6*	*-*	*6*	*-205*	
Gains (losses) on investments pertaining to insured parties	-1,948	-	-1,948	-487	-	-487	1,461	
Insurance products (k)	*-935*	*-*	*-935*	*-558*	*-*	*-558*	*377*	*67.6*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-130*	*-*	*-130*	*-1*	*-*	*-1*	*129*	
Investment products (m)	*-883*	*-*	*-883*	*72*	*-*	*72*	*-955*	
Income from insurance business	**435**	**18**	**453**	**259**	**26**	**285**	**168**	**58.9**

Quarterly development Income from insurance business



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

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes profit/loss pertaining to third party underwriters of consolidated mutual funds which are not wholly-owned by the Group.

(k) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(l) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(m) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

During the first half of 2012, income from the insurance business, which includes the cost and revenue captions of the Group's insurance business, was 453 million euro, up 58.9% compared to the same period of the previous year. The positive performance of this sector was aided by the financial market recovery seen in the first quarter of this year. Trading activities were then launched in support of the return on products under separate management which were affected by the capital losses recorded after the exchange of Greek government securities at the beginning of the year. Such capital losses had been recorded in the income statements of the bancassurance companies last year.

In the life insurance segment, the technical margin was essentially stable due to the combined effect of the significant decline in net premiums and the increase in charges for insurance claims and surrenders, on one hand, and the reduction in charges for changes in reserves and for commission expenses on the other hand. Gains pertaining to insured parties increased however. The net investment result for the life insurance segment recorded a significant increase, as a result of the improvement in operating income from investments.

Income from non-life business – the extent of which is still marginal in the Group's insurance business – was down 8 million euro, mainly due to the decrease in net insurance premiums and the increase in charges for insurance claims and surrenders.

(millions of euro)

Captions (a)	**2012**		**Changes**	
	Second quarter	**First quarter**	**amount**	**%**
Technical margin	**51**	**23**	**28**	
Net insurance premiums (b)	1,731	1,125	606	53.9
Net charges for insurance claims and surrenders (c)	-1,752	-1,755	-3	-0.2
Net charges for changes in technical reserves (d)	-222	-62	160	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	330	735	-405	-55.1
Net fees on investment contracts (f)	33	33	-	-
Commission expenses on insurance contracts (g)	-99	-71	28	39.4
Other technical income and expense (h)	30	18	12	66.7
Net investment result	**144**	**235**	**-91**	**-38.7**
Operating income from investments	195	2,132	-1,937	-90.9
Net interest income	*553*	*538*	15	2.8
Dividends	*38*	*13*	25	
Gains/losses on disposal	*51*	*308*	-257	*-83.4*
Valuation gains/losses	*-365*	*1,474*	-1,839	
Portfolio management fees paid (i)	*-42*	*-42*	-	-
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-40*	*-159*	-119	*-74.8*
Gains (losses) on investments pertaining to insured parties	-51	-1,897	-1,846	-97.3
Insurance products (k)	*-274*	*-661*	-387	*-58.5*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-56*	*-74*	-18	*-24.3*
Investment products (m)	*279*	*-1,162*	1,441	
Income from insurance business	**195**	**258**	**-63.0**	**-24.4**

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

For notes, see the previous table

Income from insurance business in the second quarter of 2012 recorded a drop of 63 million euro compared to the first quarter of the year, mainly due to the decrease in the net investment result which was not sufficiently offset by the increase in the technical margin resulting from a considerable increase in net premiums.

(millions of euro)

	2012				2011
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**146**	**2,632**	**2,778**	*2,633*	**5,586**
Premiums issued on traditional products	119	2,525	2,644	*2,526*	5,349
Premiums issued on unit-linked products	11	19	30	*19*	119
Premiums issued on capitalisation products	-	-	-	-	1
Premiums issued on pension funds	16	88	104	*88*	117
Non-life insurance business	**22**	**59**	**81**	*31*	**86**
Premiums issued	22	91	113	*85*	118
Change in premium reserves	-	-32	-32	*-54*	-32
Premiums ceded to reinsurers	**-1**	**-2**	**-3**	*-1*	**-4**
Net premiums from insurance products	**167**	**2,689**	**2,856**	***2,663***	**5,668**
Business on index-linked contracts	-	-	**-**	-	-
Business on unit-linked contracts	92	3,508	3,600	*3,511*	2,410
Total business from investment contracts	**92**	**3,508**	**3,600**	***3,511***	**2,410**
Total business	**259**	**6,197**	**6,456**	***6,174***	**8,078**

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

Business in the insurance segment reached a total of 6.5 billion euro in premiums, a value which compares with the 8 billion euro in total inflows for the first half of 2011. The decrease affected all segments, particularly premiums issued for traditional life insurance policies. New business, which includes premiums on new contracts signed by customers during the half-year and single additional premiums, also proved lower than that of the same period of the previous year: inflows amounted to 6.2 billion euro, of which 2.7 billion euro in traditional life insurance products and 3.5 billion euro in investment contracts.

Other operating income (expenses)

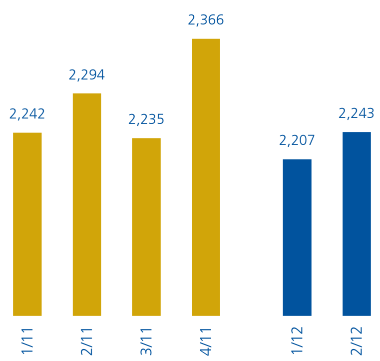
Other operating income (expenses) represent a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. This caption recorded a negligible amount, though with fluctuating signs (+/-). In fact, in the first half of 2012 this caption showed a loss of 12 million euro, compared to 8 million euro in income for the corresponding period in 2011.

Operating costs

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Wages and salaries	1,897	1,948	-51	-2.6
Social security charges	489	503	-14	-2.8
Other	323	296	27	9.1
Personnel expenses	**2,709**	**2,747**	**-38**	**-1.4**
Information technology expenses	331	337	-6	-1.8
Management of real estate assets expenses	367	361	6	1.7
General structure costs	221	227	-6	-2.6
Professional and legal expenses	153	217	-64	-29.5
Advertising and promotional expenses	61	74	-13	-17.6
Indirect personnel costs	68	68	-	-
Other costs	176	161	15	9.3
Indirect taxes and duties	356	311	45	14.5
Recovery of expenses and charges	-304	-269	35	13.0
Administrative expenses	**1,429**	**1,487**	**-58**	**-3.9**
Property and equipment	182	189	-7	-3.7
Intangible assets	130	113	17	15.0
Adjustments	**312**	**302**	**10**	**3.3**
Operating costs	**4,450**	**4,536**	**-86**	**-1.9**

Quarterly development Operating costs



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

Operating costs amounted to 4,450 million euro, down 1.9% on the figure recorded for the same period in 2011.
Personnel expenses, amounting to 2,709 million euro, recorded a 1.4% decrease as a result of the reduction in the average workforce (-2.4%) which more than offset the effects of the physiological increase in remuneration. Administrative expenses amounted to 1,429 million euro, down 3.9%: this result was shaped in particular by the decrease in professional and legal expenses (-64 million euro), accompanied by the reduction in advertising and promotional expenses (-13 million euro), information technology services (-6 million euro) and general structure costs (-6 million euro).
Amortisation and depreciation totalled 312 million euro, up 3.3% on the first six months of the previous year, due to higher investments in intangible assets.
As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 49.8%, down compared to the 52% recognised for the first half of 2011.

(millions of euro)

	2012		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	952	945	7	0.7
Social security charges	247	242	5	2.1
Other	154	169	-15	-8.9
Personnel expenses	**1,353**	**1,356**	**-3**	**-0.2**
Information technology expenses	169	162	7	4.3
Management of real estate assets expenses	184	183	1	0.5
General structure costs	110	111	-1	-0.9
Professional and legal expenses	79	74	5	6.8
Advertising and promotional expenses	38	23	15	65.2
Indirect personnel costs	35	33	2	6.1
Other costs	91	85	6	7.1
Indirect taxes and duties	196	160	36	22.5
Recovery of expenses and charges	-167	-137	30	21.9
Administrative expenses	**735**	**694**	**41**	**5.9**
Property and equipment	89	93	-4	-4.3
Intangible assets	66	64	2	3.1
Adjustments	**155**	**157**	-2	-1.3
Operating costs	**2,243**	**2,207**	**36**	**1.6**

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

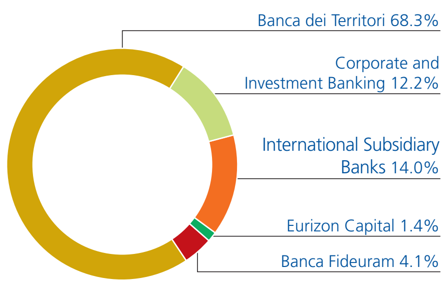
At the quarterly level, operating costs increased by 1.6% in the second quarter compared to the previous quarter, reaching 2,243 million euro. Such a trend is mainly attributable to administrative expenses, which traditionally present elements of seasonality: in particular, higher advertising and promotional expenses were recorded.

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Banca dei Territori	2,804	2,864	-60	-2.1
Corporate and Investment Banking	500	493	7	1.4
International Subsidiary Banks	577	577	-	-
Eurizon Capital	57	64	-7	-10.9
Banca Fideuram	169	180	-11	-6.1
Total business areas	**4,107**	**4,178**	**-71**	**-1.7**
Corporate Centre	343	358	-15	-4.2
Intesa Sanpaolo Group	**4,450**	**4,536**	**-86**	**-1.9**

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

Business areas



The fall in Group operating costs (-1.9%) was driven by Banca dei Territori (-2.1%), which accounts for 68% of business area costs, Banca Fideuram (-6.1%) and Eurizon Capital (-10.9%). Savings in these business areas were related primarily to other administrative expenses. Costs for the International Subsidiary Banks were stable but were up those for Corporate and Investment Banking (+1.4%). The Corporate Centre's costs were down (-4.2%) due to lower personnel expenses.

Operating margin

The operating margin in the first half of 2012 was 4,494 million euro, up 7.4% on the corresponding period of the previous year. This trend was generated by the increase in revenues (+2.6%), accompanied by a reduction in operating costs (-1.9%).
Compared with the result for the first quarter of the year, the operating margin fell by 27.6%, essentially due to the result for profits on trading.

Adjustments to/write-backs on assets

Net provisions for risks and charges

In the first half of 2012 net provisions for risks and charges stood at 71 million euro, most of which attributable to provisions for legal disputes. This amount is lower than the 94 million euro recorded in the same period of 2011 as a result of the positive effects from the finalisation of certain legal proceedings abroad.

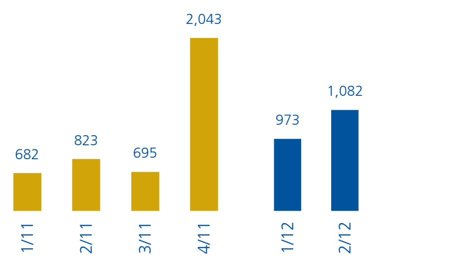
Net adjustments to loans

(millions of euro)

	30.06.2012	30.06.2011	Changes	
			amount	%
Doubtful loans	-973	-971	2	0.2
Substandard loans	-754	-441	313	71.0
Restructured loans	-63	-26	37	
Past due loans	-216	-103	113	
Performing loans	-1	2	-3	
Net impairment losses on loans	**-2,007**	**-1,539**	**468**	**30.4**
Net adjustments to guarantees and commitments	**-48**	**34**	**-82**	
Net adjustments to loans	**-2,055**	**-1,505**	**550**	**36.5**

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

Quarterly development
Net adjustments to loans



Since 2011 the worsening of the general economic situation has resulted in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans. This trend continued in the first half of 2012, with net adjustments to loans of 2,055 million euro, up on the figure recorded in the same period of 2011 (+36.5%). Doubtful loans required total net impairment adjustments of 973 million euro, almost stable if compared to the first six months of 2011, with an average coverage ratio for these loans of 62.3%. However, net impairment losses on substandard loans, totalling 754 million euro, increased by 71% if compared to the first half of 2011, with a coverage ratio of 20.3%. Net impairment losses on restructured loans increased by 37 million euro on the corresponding period of the previous year, while net impairment losses on past due loans increased significantly, partly due to the reduction of the limit to 90 days for classification under non-performing loans as envisaged by the Regulator.
Lastly, within performing loans, there were adjustments of 1 million euro, with a coverage ratio for the physiological risk inherent in the portfolio of 0.8%. This figure is compared to the 2 million euro write-backs reported in the first half of 2011.

(millions of euro)

	2012		Changes	
	Second quarter	First quarter	amount	%
Doubtful loans	-519	-454	65	14.3
Substandard loans	-357	-397	-40	-10.1
Restructured loans	-53	-10	43	
Past due loans	-103	-113	-10	-8.8
Performing loans	-4	3	-7	
Net losses/recoveries on impairment of loans	**-1,036**	**-971**	**65**	**6.7**
Net adjustments to/recoveries on guarantees and commitments	**-46**	**-2**	**44**	
Net adjustments to loans	**-1,082**	**-973**	**109**	**11.2**

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

At the quarterly level, the 1,082 million euro adjustments in the second quarter of 2012 are compared with the 973 million euro of the first quarter, up 11.2% due to the increase in impairment adjustments to doubtful and restructured loans, only partly offset by a decrease in the impairment adjustments to substandard and past due loans.

Net impairment losses on other assets

For the first six months of 2012, net impairment losses on other assets totalled 98 million euro, 29 million euro of which was attributable to the impairment of Greek government bonds exchanged in the second quarter and 15 million euro to impairment losses on securities held in the insurance companies' portfolios. This compares to the figure of 74 million euro recorded in the corresponding period of the previous year.

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

Investments held to maturity and other investments generated a loss of 8 million euro, compared to the 33 million euro profit reported in the same period of 2011.

Income before tax from continuing operations

Income before tax from continuing operations came to 2,262 million euro, down 11.1% compared to the same period in 2011.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred income tax totalled 778 million euro compared to 960 million euro in the corresponding period of 2011 (-19%), with a tax rate dropping to 34.4% from 37.7% in the first half of 2011. The tax rate benefits from the deduction of Regional Business Tax (IRAP) relating to the taxable portion of personnel (employees and similar) expenses from the Corporate Income Tax (IRES) taxable amount. This deduction, permitted under Art. 2, paragraph 1, Law Decree 201/2011, is applicable with effect from the tax year in progress as at 31 December 2012. Law 44/2012 supplemented the previous requirement, allowing taxpayers the option of requesting reimbursement for tax years 2007 to 2011, for which the total IRES taxes that could qualify for reimbursement were quantified and recognised in accordance with prudential criteria, with a tax benefit for the Group of approximately 200 million euro.

Charges (net of tax) for integration and exit incentives

This caption amounted to 24 million euro, compared to 16 million euro reported for the first half of 2011.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges amounted to 149 million euro in the first half of 2012, down from 171 million euro recorded in the same period in 2011.

Income (Loss) from discontinued operations (net of tax)

No income or loss from discontinued operations was recorded either for the first half of 2012 or for 2011.

Net income (loss)

The Group closed the first half of 2012 with a net income of 1,274 million euro, down 9.1% on the 1,402 million euro reported in the same period of 2011. Net income for the second quarter, totalling 470 million euro, is compared to the 804 million euro net income for the first quarter of the year.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for non-current assets held for sale and discontinued operations and changes in the scope of consolidation.

As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

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

The balance sheet figures as at 31 December 2011 did not need to be restated as in the first half of 2012 there were no changes in the scope of consolidation.

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

Aggregations of captions referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2012	31.12.2011	Changes amount	Changes %
Financial assets held for trading	66,080	59,963	6,117	10.2
of which: Insurance Companies	*1,257*	*1,341*	*-84*	*-6.3*
Financial assets designated at fair value through profit and loss	37,842	34,253	3,589	10.5
of which: Insurance Companies	*36,763*	*33,391*	*3,372*	*10.1*
Financial assets available for sale	88,408	68,777	19,631	28.5
of which: Insurance Companies	*41,082*	*39,194*	*1,888*	*4.8*
Investments held to maturity	2,222	2,621	-399	-15.2
Due from banks	35,826	35,865	-39	-0.1
Loans to customers	374,953	376,744	-1,791	-0.5
Investments in associates and companies subject to joint control	2,795	2,630	165	6.3
Property, equipment and intangible assets	20,341	20,577	-236	-1.1
Tax assets	13,313	14,702	-1,389	-9.4
Non-current assets held for sale and discontinued operations	27	26	1	3.8
Other assets	24,610	23,063	1,547	6.7
Total Assets	**666,417**	**639,221**	**27,196**	**4.3**

Liabilities and Shareholders' Equity	30.06.2012	31.12.2011	Changes amount	Changes %
Due to banks	83,617	78,644	4,973	6.3
Due to customers and securities issued	365,639	357,410	8,229	2.3
of which: Insurance Companies	*117*	*403*	*-286*	*-71.0*
Financial liabilities held for trading	54,921	48,740	6,181	12.7
of which: Insurance Companies	*26*	*29*	*-3*	*-10.3*
Financial liabilities designated at fair value through profit and loss	24,854	22,653	2,201	9.7
of which: Insurance Companies	*24,417*	*21,955*	*2,462*	*11.2*
Tax liabilities	2,931	4,064	-1,133	-27.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	28,811	24,225	4,586	18.9
Technical reserves	52,310	50,761	1,549	3.1
Allowances for specific purpose	4,678	4,966	-288	-5.8
Share capital	8,546	8,546	-	-
Reserves	40,882	49,982	-9,100	-18.2
Valuation reserves	-2,704	-3,298	-594	-18.0
Minority interests	658	718	-60	-8.4
Net income (loss)	1,274	-8,190	9,464	
Total Liabilities and Shareholders' Equity	**666,417**	**639,221**	**27,196**	**4.3**

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

In the first half of 2012 Intesa Sanpaolo's consolidated assets recorded an increase of 27.2 billion euro (+4.3%). With regard to assets, the increases in financial assets available for sale (+19.6 billion euro), financial assets held for trading (+6.1 billion euro) and those designated at fair value (+3.6 billion euro) are only partly offset by the decrease in loans to customers (-1.8 billion euro) and tax assets (-1.4 billion euro). Liabilities record the increases in customer deposits and securities issued (+8.2 billion euro), financial liabilities held for trading (+6.2 billion euro), interbank funding (+5 billion euro) and other liabilities (+4.6 billion euro), against the decrease in tax liabilities (-1.1 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	**2012**		**2011**			
	30/6	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Financial assets held for trading	66,080	60,328	59,963	69,934	60,584	61,141
of which: Insurance Companies	*1,257*	*1,331*	*1,341*	*1,371*	*1,625*	*1,690*
Financial assets designated at fair value through profit and loss	37,842	35,971	34,253	35,212	36,303	36,349
of which: Insurance Companies	*36,763*	*35,015*	*33,391*	*34,345*	*35,354*	*35,230*
Financial assets available for sale	88,408	85,224	68,777	70,950	69,007	64,845
of which: Insurance Companies	*41,082*	*40,623*	*39,194*	*40,733*	*41,837*	*41,137*
Investments held to maturity	2,222	2,266	2,621	2,872	2,865	3,021
Due from banks	35,826	32,431	35,865	40,449	43,258	40,449
Loans to customers	374,953	378,050	376,744	381,192	374,979	377,252
Investments in associates and companies subject to joint control	2,795	2,672	2,630	2,732	2,694	2,817
Property, equipment and intangible assets	20,341	20,465	20,577	30,876	30,798	30,903
Tax assets	13,313	12,340	14,702	11,259	7,886	8,079
Non-current assets held for sale and discontinued operations	27	26	26	30	38	35
Other assets	24,610	22,857	23,063	21,816	19,182	20,703
Total Assets	**666,417**	**652,630**	**639,221**	**667,322**	**647,594**	**645,594**

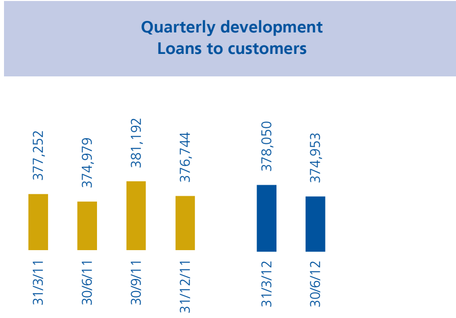
Liabilities and Shareholders' Equity	**2012**		**2011**			
	30/6	**31/3**	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks	83,617	75,744	78,644	72,978	50,182	51,087
Due to customers and securities issued	365,639	368,657	357,410	369,459	389,511	392,736
of which: Insurance Companies	*117*	*343*	*403*	*216*	*230*	*237*
Financial liabilities held for trading	54,921	47,907	48,740	53,952	38,216	37,431
of which: Insurance Companies	*26*	*23*	*29*	*76*	*43*	*42*
Financial liabilities designated at fair value through profit and loss	24,854	24,496	22,653	23,558	24,729	25,201
of which: Insurance Companies	*24,417*	*23,637*	*21,955*	*22,814*	*23,969*	*24,403*
Tax liabilities	2,931	3,149	4,064	4,857	3,299	3,342
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Other liabilities	28,811	24,640	24,225	26,697	24,330	23,765
Technical reserves	52,310	53,023	50,761	52,217	52,887	51,896
Allowances for specific purpose	4,678	4,945	4,966	4,978	4,405	4,561
Share capital	8,546	8,546	8,546	8,546	8,546	6,647
Reserves	40,882	41,800	49,982	49,906	49,924	47,920
Valuation reserves	-2,704	-1,805	-3,298	-2,827	-937	-766
Minority interests	658	724	718	1,072	1,100	1,113
Net income (loss)	1,274	804	-8,190	1,929	1,402	661
Total Liabilities and Shareholders' Equity	**666,417**	**652,630**	**639,221**	**667,322**	**647,594**	**645,594**

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

Loans to customers

(millions of euro)

	30.06.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	34,060	9.1	33,832	9.0	228	0.7
Mortgages	165,242	44.0	164,845	43.7	397	0.2
Advances and other loans	125,944	33.6	131,783	35.0	-5,839	-4.4
Commercial banking loans	**325,246**	**86.7**	**330,460**	**87.7**	**-5,214**	**-1.6**
Repurchase agreements	**5,986**	**1.6**	**5,302**	**1.4**	**684**	**12.9**
Loans represented by securities	**17,619**	**4.7**	**18,286**	**4.9**	**-667**	**-3.6**
Non-performing loans	**26,102**	**7.0**	**22,696**	**6.0**	**3,406**	**15.0**
Loans to customers	**374,953**	**100.0**	**376,744**	**100.0**	**-1,791**	**-0.5**



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

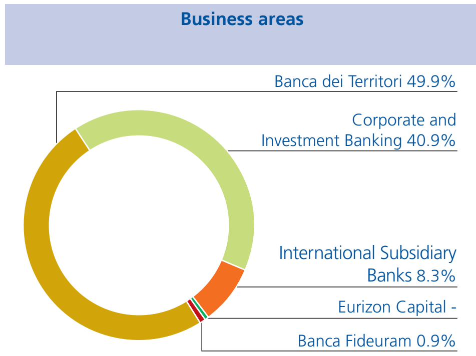
As at 30 June 2012, Intesa Sanpaolo Group loans to customers amounted to approximately 375 billion euro, down 1.8 billion euro (-0.5%) on the figure of the end of the previous year.

The decrease in loans compared to the beginning of the year was mainly caused by the reduction in commercial banking loans, down 5.2 billion euro (-1.6%), only partly offset by the 684 million euro increase in repurchase agreements (+12.9%). The overall change was also influenced by the 3.4 billion euro increase in non-performing loans (+15%) and the 667 million euro decrease in loans represented by securities (-3.6%). The trend for commercial banking loans is attributable to the decrease of 5.8 billion euro (-4.4%) in advances and other loans, only partly mitigated by the increases in mortgages (397 million euro; +0.2%) and current accounts (228 million euro; +0.7%). In the domestic medium-/long-term loan market, in the first half of 2012 disbursements to households (including the small business and non-profit segments) reached 5.6 billion euro and disbursements to businesses under the Banca dei Territori amounted to over 4 billion euro. In the same period, medium/long-term disbursements to Mid Corporate and Large Corporate Italy customers totalled 8.7 billion euro.

As at 30 June 2012, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was 15.7% for total loans, in line with the figure recorded at the end of December 2011. The estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of June is not yet available.

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Banca dei Territori	183,836	187,435	-3,599	-1.9
Corporate and Investment Banking	150,706	149,201	1,505	1.0
International Subsidiary Banks	30,338	30,676	-338	-1.1
Eurizon Capital	101	109	-8	-7.3
Banca Fideuram	3,437	3,439	-2	-0.1
Total business areas	**368,418**	**370,860**	**-2,442**	**-0.7**
Corporate Centre	6,535	5,884	651	11.1
Intesa Sanpaolo Group	**374,953**	**376,744**	**-1,791**	**-0.5**



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

The breakdown of loans by business areas shows different trends. Banca dei Territori, which accounts for approximately half the aggregate of the Group's business areas, recorded a decrease in loans to customers of 1.9% compared to the end of the previous year, particularly to companies and small businesses. The Corporate and Investment Banking loans, which include Public Finance, were up 1% due to Banca IMI's development of operations involving repurchase agreements. The loans of the International Subsidiary Banks recorded a limited decrease of 1.1%. Banca Fideuram loans, of an overall modest amount, remained essentially unchanged (-0.1%): the decrease in repurchase agreements with institutional customers was counterbalanced by a corresponding increase in loans to customers and loans involving debt securities.

The increase in Corporate Centre loans, up 11.1% on the figure for the end of the prior year, is attributable to new contracted reverse repurchase agreements with institutional counterparties.

Loans to customers: loan portfolio quality

(millions of euro)

	30.06.2012		31.12.2011		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	9,600	2.6	8,998	2.4	602
Substandard loans	10,460	2.8	9,126	2.4	1,334
Restructured loans	3,319	0.9	3,425	0.9	-106
Past due loans	2,723	0.7	1,147	0.3	1,576
Non-performing loans	**26,102**	**7.0**	**22,696**	**6.0**	**3,406**
Performing loans	331,232	88.3	335,762	89.1	-4,530
Loans represented by performing securities	17,619	4.7	18,286	4.9	-667
Loans to customers	**374,953**	**100.0**	**376,744**	**100.0**	**-1,791**

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

As at 30 June 2012, the Group recorded an increase of 15% in non-performing loans, net of adjustments, if compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 6% to 7%. Coverage of non-performing loans came to 42.7%, lower than the level at the end of 2011 (45.7%), also due to the sale to third parties of a portfolio of doubtful loans in the first quarter for a gross amount of 1,640 million euro at a price - corresponding to the net carrying value - of around 270 million euro. The adjustments were deemed adequate to account for expected losses, also considering the guarantees securing the positions. Net of that sale and without the effects of the regulatory changes relating to the classification criteria for past due loans, the coverage ratio of non-performing loans would have been slightly lower than the values at the beginning of the year.
In particular, at the end of the first six months of 2012, doubtful loans increased by around 7% to 9.6 billion euro; the incidence on total loans was 2.6%, with a coverage ratio of 62.3%. Substandard loans increased by 15% if compared to 31 December 2011 to reach 10.5 billion euro, and their incidence on total loans to customers increased to 2.8%, with a coverage ratio dropping slightly to 20.3%. Restructured loans stood at 3.3 billion euro, recording a decrease of around 3% compared to the end of December 2011. The coverage ratio rose to 16.6% whilst the impact on total loans remained stable (0.9%). Past due loans totalled 2.7 million euro, having more than doubled since the beginning of the year. This increase was mostly due to the effects of the inclusion in this category of loans past due from 90 to 180 days in accordance with the new Bank of Italy regulations, and their coverage ratio stood at 9.4%. Previously, in the absence of other issues related to the loans, these positions were kept under performing loans.

Customer financial assets

(millions of euro)

	30.06.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	368,840	47.6	359,991	47.0	8,849	2.5
Direct deposits from insurance business and technical reserves	76,844	9.9	73,119	9.5	3,725	5.1
Indirect customer deposits	405,999	52.4	405,727	53.0	272	0.1
Netting [(a)]	-76,722	-9.9	-73,009	-9.5	3,713	5.1
Customer financial assets	**774,961**	**100.0**	**765,828**	**100.0**	**9,133**	**1.2**

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

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

As at 30 June 2012 customer financial assets amounted to around 775 billion euro, up by more than 9 billion euro (+1.2%) on the beginning of the year due to the increase in direct deposits from banking and insurance business. Direct deposits from banking business increased 8.8 billion euro (+2.5%) due to the positive performance of the main deposit types. Direct deposits from insurance business rose by 3.7 billion euro (+5.1%) as a result both of insurance liabilities associated with unit and index linked products and with life insurance business technical reserves linked to traditional policies. Indirect deposits, however, recorded only marginal changes due to the positive performance of managed and administered assets which more than offset the total negative net deposits for the period.

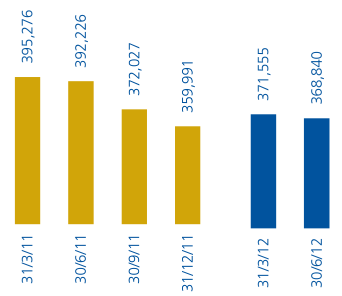
Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value, and securitised capital-protected certificates.

(millions of euro)

	30.06.2012	% breakdown	31.12.2011	% breakdown	Changes amount	Changes %
Current accounts and deposits	187,016	50.7	183,773	51.0	3,243	1.8
Repurchase agreements and securities lending	10,039	2.7	4,640	1.3	5,399	
Bonds	133,072	36.1	132,480	36.8	592	0.4
of which designated at fair value (*)	*437*	*0.1*	*698*	*0.2*	*-261*	*-37.4*
Certificates of deposit	7,291	2.0	6,425	1.8	866	13.5
Subordinated liabilities	17,447	4.7	19,481	5.4	-2,034	-10.4
Other deposits	13,975	3.8	13,192	3.7	783	5.9
of which designated at fair value (**)	*2,881*	*0.8*	*2,286*	*0.6*	*595*	*26.0*
Direct deposits from banking business	**368,840**	**100.0**	**359,991**	**100.0**	**8,849**	**2.5**

Quarterly development Direct deposits from banking business



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

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

(**) Figures included in the Balance sheet under Financial liabilities held for trading.

The total of direct deposits from banking business was up 2.5% since the beginning of the year, due to the positive performance of the main deposit types. In particular repurchase agreements more than doubled with respect to the end of the previous year as a result of the completion of significant transactions with institutional counterparties. Current accounts and deposits increased by 3.2 billion euro (+1.8%) as a result of the interest shown by customers in forms of time deposit such as savings term deposits. Bonds were up 0.6 billion euro (+0.4%) confirming their importance to the Group's overall funding. Certificates of deposit grew by 0.9 billion euro (+13.5%) due to the effect of increased issues by the international branches, whereas subordinated liabilities decreased by 2 billion euro (-10.4%), also following the repurchase of Tier 1 securities in February. The increase in other deposits is mostly attributable to capital protected certificates issued by Banca IMI (+0.6 billion euro) and included in other deposits designated at fair value.

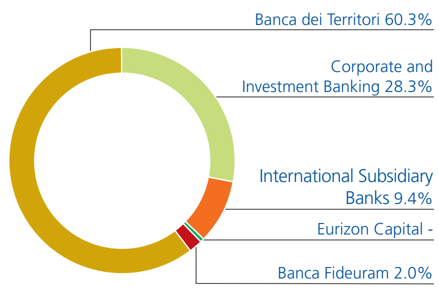
At the end of the first half of 2012 the Group's share of direct deposits (including deposits and bonds) on the domestic market was estimated at 17.8%, up 3 percentage points on the figure recorded at the end of December 2011. As already described in reference to loans above, this estimate is based on figures from the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	30.06.2012	31.12.2011	Changes amount	Changes %
Banca dei Territori	200,576	197,280	3,296	1.7
Corporate and Investment Banking	94,111	90,528	3,583	4.0
International Subsidiary Banks	31,404	30,667	737	2.4
Eurizon Capital	8	9	-1	-11.1
Banca Fideuram	6,510	6,367	143	2.2
Total business areas	**332,609**	**324,851**	**7,758**	**2.4**
Corporate Centre	36,231	35,140	1,091	3.1
Intesa Sanpaolo Group	**368,840**	**359,991**	**8,849**	**2.5**

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

Business areas

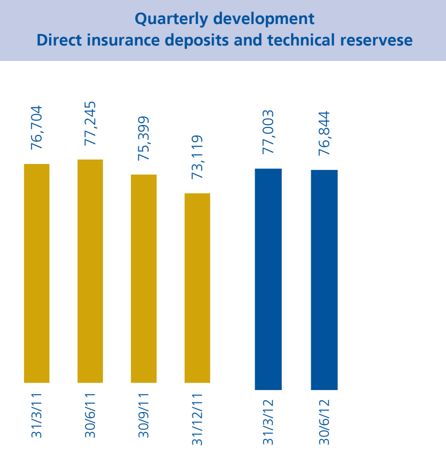


The breakdown by Group business areas shows that Banca dei Territori's direct deposits from banking business, which make up over half of the total aggregate attributable to the business areas, were up over the beginning of the year (+1.7%) as a result of the increase in securities funding. Corporate and Investment Banking, which includes Public Finance, recorded an increase of 3.6 billion euro (+4%), mainly attributable to the securities issued component associated with the growth in operations with leading financial institution customers. The International Subsidiary Banks recorded a good performance in deposits in the period (+2.4%) referring both to amounts due to customers and to securities issued. Banca Fideuram's funding was also up (+2.2%) as a result of the increase in amounts due to ordinary and institutional customers. The growth recorded by the Corporate Centre (+3.1%) should be read in relation to the increased operations involving repurchase agreements with Cassa di Compensazione e Garanzia, only partly offset by the decrease in securities associated with bonds maturing on the wholesale market.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.06.2012	% breakdown	31.12.2011	% breakdown	Changes amount	Changes %
Financial liabilities of the insurance business designated at fair value (*)	**24,417**	**31.8**	**21,955**	**30.0**	**2,462**	**11.2**
Index-linked products	*1,629*	*2.1*	*1,564*	2.1	*65*	*4.2*
Unit-linked products	*22,788*	*29.7*	*20,391*	27.9	*2,397*	*11.8*
Technical reserves	**52,310**	**68.1**	**50,761**	**69.4**	**1,549**	**3.1**
Life business	51,928	67.6	50,419	69.0	1,509	3.0
Mathematical reserves	*45,612*	*59.4*	*44,895*	*61.4*	*717*	*1.6*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*8,490*	*11.0*	*9,053*	*12.4*	*-563*	*-6.2*
Other reserves	*-2,174*	*-2.8*	*-3,529*	*-4.8*	*-1,355*	*-38.4*
Non-life business	*382*	0.5	*342*	0.4	40	11.7
Other insurance deposits (***)	**117**	**0.1**	**403**	**0.6**	**-286**	**-71.0**
Direct deposits from insurance business and technical reserves	**76,844**	**100.0**	**73,119**	**100.0**	**3,725**	**5.1**



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

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

(**) This caption includes unit- and index-linked policies with significant insurance risk.

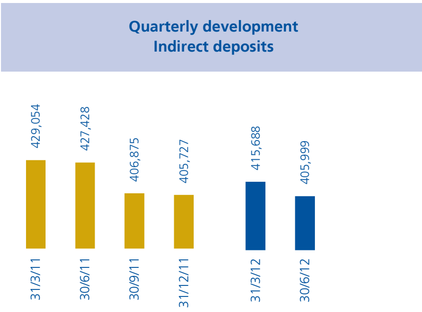
(***) Figures included in the Balance sheet under Due to customers and securities issued.

Direct deposits from insurance business came to 77 billion euro at the end of June 2012, up 5.1% from the beginning of the year. Insurance segment financial liabilities designated at fair value recorded a positive performance of 2.5 billion euro (+11.2%), most of which attributable to the contribution from unit linked products. The technical reserves, which represent amounts due to customers subscribing the traditional policies, recorded a net increase of 1.5 billion euro (+3.1%), prevalently due to lower deferred liabilities to policyholders, included among other reserves, following the recovery of equity and bond market prices concentrated mainly in the first few months of the year. The increase in technical reserves was also influenced by the growth of mathematical reserves (+717 million euro), only partly mitigated by the decrease in reserves relating to unit and index linked policies with significant insurance risk.

Indirect customer deposits

(millions of euro)

	30.06.2012	% breakdown	31.12.2011	% breakdown	Changes amount	Changes %
Mutual funds (*)	55,566	13.7	58,310	14.4	-2,744	-4.7
Open-ended pension funds and individual pension plans	2,701	0.7	2,939	0.7	-238	-8.1
Portfolio management	74,199	18.3	73,279	18.1	920	1.3
Life technical reserves and financial liabilities	79,752	19.6	77,322	19.0	2,430	3.1
Relations with institutional customers	10,251	2.5	10,039	2.5	212	2.1
Assets under management	**222,469**	**54.8**	**221,889**	**54.7**	**580**	**0.3**
Assets under administration and in custody	**183,530**	**45.2**	**183,838**	**45.3**	**-308**	**-0.2**
Indirect customer deposits	**405,999**	**100.0**	**405,727**	**100.0**	**272**	**0.1**



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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, or the contribution of funds established by third parties and managed by Banca Fideuram, whose value is included in assets under administration and in custody.

As at 30 June 2012 indirect deposits totalled 406 billion euro, essentially stable if compared to the end of the previous year due to the performance effect that counterbalanced the negative net deposits. With regard to the components, the moderate increase in assets under management (+0.3%) more than offset the slight decrease in assets under administration (-0.2%). Assets under management, which account for more than half of the aggregate, came to more than 222 billion euro: the main contributors to the growth since December 2011 were life policies (+2.4 billion euro) and portfolio management (+920 million euro), which completely absorbed the decrease in the stock of mutual funds (-2.7 billion euro). Despite the positive performance effect, the stock of mutual funds was affected by the redemptions during the period, with significant impacts especially on funds operating on the equity and money markets. In the insurance business, new life insurance business of Intesa Sanpaolo Vita (the company formed by the merger of the insurance companies Intesa Sanpaolo Vita - formerly Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita Assicurazioni), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 6.1 billion euro for the first six months of 2012, compared to 6.4 billion euro in total production, including recurring premiums.
The decrease in assets under administration in the first half is attributable to the securities held in the retail customers' portfolio, only partly mitigated by the increase in institutional customer deposits.

Financial assets and liabilities

(millions of euro)

	30.06.2012		31.12.2011		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	66,080	*1,257*	59,963	*1,341*	6,117	10.2
of which derivatives at fair value	*48,080*	*20*	*41,789*	*25*	*6,291*	*15.1*
Financial assets designated at fair value through profit and loss	37,842	*36,763*	34,253	*33,391*	3,589	10.5
Financial assets available for sale	88,408	*41,082*	68,777	*39,194*	19,631	28.5
Investments held to maturity	2,222	-	2,621	-	-399	-15.2
Total financial assets	**194,552**	***79,102***	**165,614**	***73,926***	**28,938**	**17.5**
Financial liabilities held for trading (*)	**-52,040**	***-26***	**-46,454**	***-29***	**5,586**	**12.0**
of which derivatives at fair value	*-49,941*	*-26*	*-44,172*	*-29*	*5,769*	*13.1*

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

(*) The amount of the item does not include capital protected securitised derivatives (certificates) which are included in the direct customer deposits table.

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets increased by 17.5%, primarily due to the growth in financial assets available for sale, which rose from 69 billion euro to 88 billion euro (+28.5%). This performance was attributable to the increase in bonds and other debt securities held by the Parent Company and the Group's insurance companies. Financial assets held for trading recorded a growth of 6.1 billion euro (+10.2%), essentially due to a higher value of derivatives (which follow similar trend among the liabilities) and in assets designated at fair value which recorded a 3.6 billion euro increase (+10.5%). Investments held to maturity, however, were down by 15.2%.

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

(millions of euro)

	30.06.2012		31.12.2011		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	42,930	*26,445*	38,823	*22,469*	4,107	10.6
of which designated at fair value (fair value option)	*26,335*	*25,419*	*22,083*	*21,403*	*4,252*	*19.3*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	12,446	*11,094*	13,320	*11,955*	-874	-6.6
of which designated at fair value (fair value option)	*11,046*	*10,883*	*11,887*	*11,705*	*-841*	*-7.1*
Other assets designated at fair value through profit and loss	466	*461*	284	*283*	182	64.1
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**55,842**	***38,000***	**52,427**	***34,707***	**3,415**	**6.5**
Financial liabilities held for trading (*)	**-2,099**	-	**-2,282**	-	**-183**	**-8.0**
Net value of financial derivatives	-1,258	*-6*	-1,774	*-4*	-516	-29.1
Net value of credit derivatives	-603	-	-609	-	-6	-1.0
Net value of trading derivatives	**-1,861**	***-6***	**-2,383**	***-4***	**-522**	**-21.9**
Financial assets / liabilities, net	**51,882**	***37,994***	**47,762**	***34,703***	**4,120**	**8.6**

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

(*) The amount of the item does not include capital protected securitised derivatives (certificates) which are included in the direct customer deposits table.

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss amounted to almost 52 billion euro, up 8.6% compared to the end of 2011. In detail, these changes were the result of the increase in the stock of bonds and other debt securities and, to a lesser extent, of the reduction in net value of trading derivatives and in the value of financial liabilities held for trading.

Financial assets available for sale

(millions of euro)

	30.06.2012	of which Insurance Companies	31.12.2011	of which Insurance Companies	Changes amount	Changes %
Bonds and other debt securities	83,620	*39,321*	64,051	*37,578*	19,569	30.6
Equities and quotas of UCI	4,751	*1,761*	4,689	*1,616*	62	1.3
Securities available for sale	**88,371**	***41,082***	**68,740**	***39,194***	**19,631**	**28.6**
Loans available for sale	**37**	-	**37**	-	-	-
Financial assets available for sale	**88,408**	***41,082***	**68,777**	***39,194***	**19,631**	**28.5**

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

Financial assets available for sale amounted to over 88 billion euro, up by 28.5% if compared to the figure as at 31 December 2011.
The caption consists primarily of bonds and other debt securities not held for trading and, to a marginal extent, of equities. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 30 June 2012, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2012	Fair value at 30.06.2012	Income components in case of no transfer (before tax) Valuation	Income components in case of no transfer (before tax) Other	Annual income components (before tax) Valuation	Annual income components (before tax) Other
Debt securities	Financial assets held for trading	Loans	2,186	1,935	57	26	-2	23
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	1	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	1	-	2
Shares and funds	Financial assets held for trading	Financial assets available for sale	40	40	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	5,945	3,792	230	90	148	93
Loans	Financial assets available for sale	Loans	121	114	2	2	-4	2
TOTAL			**8,292**	**5,881**	**289**	**119**	**142**	**120**

If the Group had not elected to reclassify the foregoing financial assets, in the first half of the year a total of 147 million euro in income and 1 million euro in other negative components would have been recognised. No portfolio transfers were made in the first half of 2012.

Net interbank position

The net interbank position as at 30 June 2012 came to a negative 47.8 billion euro, up 5 billion euro compared to the again negative figure recorded at the end of 2011 (-42.8 billion euro). The negative balance between interbank amounts receivable and payable was affected by loans entered into with the Central European Bank. Recourse to CEB refinancing (largely aimed at replacing funding raised in short-term notes through international markets) held steady at 36 billion euro (from 37.5 billion euro at the end of 2011) and is entirely represented by funding from two 3-year auctions (LTRO – Long Term Refinancing Operations) performed by the monetary authorities in December 2011 and February 2012.

Sovereign risk exposure

As at 30 June 2012 the Intesa Sanpaolo Group's exposure to sovereign debtors was represented by debt securities for 94 billion euro (of which 33 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 24 billion euro. Among these, the exposure to the Italian government totalled 80 billion euro in securities, plus 22 billion euro represented by loans.

As at 31 December 2011 the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase in the half year was mainly attributable to acquisitions of Italian government securities.

The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,981**	**39,572**	**1,489**	**146**	**6,779**	**32,732**	**88,699**	**22,987**
Austria	-	4	3	-	53	17	77	-
Belgium	-	36	-	-	12	36	84	50
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	14	-	-	-	-	-	14	-
Czech Republic	-	29	-	-	1	-	30	28
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	6	7	13	15
France	112	3	-	-	170	203	488	20
Germany	87	46	-	-	518	1,148	1,799	-
Greece	-	-	-	-	-	10	10	-
Hungary	223	911	21	-	25	-	1,180	198
Ireland	-	96	-	-	-	85	181	-
Italy	6,954	36,769	405	146	5,395	30,705	80,374	21,689
Latvia	25	-	-	-	-	-	25	50
Lithuania	-	21	-	-	2	-	23	-
Luxembourg	21	21	-	-	230	268	540	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	3	-	-	17	113	133	-
Poland	74	21	-	-	15	-	110	-
Portugal	-	-	-	-	-	15	15	35
Romania	10	116	-	-	-	-	126	18
Slovakia	-	1,389	1,060	-	235	-	2,684	139
Slovenia	-	99	-	-	-	-	99	173
Spain	461	6	-	-	45	91	603	572
Sweden	-	2	-	-	54	29	85	-
United Kingdom	-	-	-	-	1	5	6	-
North African Countries	**-**	**105**	**14**	**-**	**1,187**	**-**	**1,306**	**22**
Algeria	-	-	-	-	-	-	-	22
Egypt	-	105	14	-	1,187	-	1,306	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**50**	**-**	**50**	**-**
Other Countries	**604**	**869**	**340**	**531**	**1,742**	**80**	**4,166**	**1,272**
TOTAL	**8,585**	**40,546**	**1,843**	**677**	**9,758**	**32,812**	**94,221**	**24,281**

(*) Debt securities held by Insurance companies are classified as follows: 32.3 billion euro as available for sale, 0.3 billion euro among securities designated at fair value through profit and loss and 0.2 billion euro as held for trading.

Exposure to Greece

The total exposure to Greece as at 30 June 2012 amounted to 73 million euro in terms of nominal value with a book value of 10 million euro, all of which represented by new securities issued by Greece and received in implementation of the agreement of 21 February 2012.

Implementation of the agreement also involved the allocation of warrants linked to the gross domestic product of the Greek Republic. As at 30 June 2012 the nominal value of these warrants was 84 million euro and they were recognised at a book value of almost zero.

In addition, the Hellenic Railways security, a private placement guaranteed by the Greek government and forming part of the measurement of the Greek public debt, was exchanged in the first half of 2012.

The agreement, established on 21 February 2012 with the Greek authorities, provided for the issue of new bonds and warrants linked to the gross domestic product of the Greek Republic with the following characteristics:

1. the nominal value of each bond eligible for exchange held by private creditors was decreased by 53.5%;
2. the residual value was distributed as follows:
    a. 31.5% exchanged with 20 new Greek bonds (new GGBs) set to mature within 11 to 30 years (in order to replicate a 5% annual amortisation plan starting from 2023);
    b. 15% exchanged with short-term securities (1-2 years) issued by the European Financial Stability Facility (EFSF);
    c. GDP warrants, for a nominal value equal to the securities in item a) but separated from the new government bond, indexed on gross domestic product; if Greece’s growth outperforms current estimates, they could provide a moderate increase in yield. A cap has also been set to avoid excessive costs for the Greek government over time;
3. the new Greek securities shall be part of a co-financing structure with the loan of 30 billion euro disbursed by the EFSF: the payment dates for interest and principal are aligned with the foregoing in order to permit equal standing for the new Greek securities and the EFSF loan;
4. the interest accrued through the time of the exchange on existing securities is paid through short-term EFSF notes;
5. the coupon on new Greek bonds shall be structured so as to increase over time in order to limit the debtor’s borrowing costs: the planned rate is 2% for the three years from February 2013 to February 2015, and then 3% for the following five years (from 2016 to 2020), 3.65% for the coupon set to mature in 2021 and 4.3% for the periods from 2022 to 2042.

The new securities, the warrants linked to Greek GDP and the EFSF loan are governed by English law in order to protect the holders from unilateral actions by the sovereign debtor.

In the first half of 2012 the custodians holding the Intesa Sanpaolo Group securities to be exchanged were given instructions, differing according to the type of security, to deliver the original securities and register the deposit of the new securities obtained in implementation of the agreement. Specifically, the exchange took place in two steps:

– in March only the securities originally governed by Greek law were actually exchanged;
– in the first few days of April the actual exchange of securities originally governed by laws other than Greek law (e.g. English law) were exchanged.

On completion of the exchange transactions an active market of Greek securities was formed and prices expressed on that market are considered effective (level 1 in the fair value hierarchy). For this reason, on initial subscription of the securities, despite the swap transactions not being completed and the market not yet formed, the Group recognised the securities to the trading book at their fair value, determined as at the date of exchange using the prevailing prices identified according to internal policy rules. With regard to the warrants linked to Greece’s gross domestic product, since these are derivatives, they have been recognised in the trading book and, on initial recognition, they have been allocated a value of close to nil.

As at 30 June 2012 the exchange transactions were complete. The following table summarises the exchanges and compares the original position with that created after the exchange.

(millions of euro)

	Greek bonds exchanged Nominal value as at 31.12.2011	Greek bonds received 31.5% of nominal value (*)	EFSF bonds received 15% of nominal value (*)	Warrants linked to the Greek GDP 31.5% of nominal value (*)
New Greek bonds - Exchanged in the 1st half 2012				
Government bonds	1,058	348	166	348

(*) The agreement envisages exchange percentages of 15% and 31.5% of the original nominal value for EFSF bonds and Greek bonds, respectively. Some securities in the portfolio as at 31 December 2011 provided for capital reimbursement index-linked to inflation, which was recognised on exchange. The effect of index-linking resulted in a higher nominal value of the EFSF bonds and Greek bonds received for 22 million euro.

In addition to the EFSF bonds with a nominal value of 29 million euro as consideration for interest accrued as at the date of exchange on the original Greek bonds.

As at 30 June 2012, the measurement of the new Greek securities, obtained under the exchange and classified in the trading book, resulted in the impacts summarised in the table below.

(millions of euro)

	Nominal value as at 30.06.2012	Book value before valuation (net of accruals)	Profits (losses) on trading/Income from insurance business (*)	Book value as at 30.06.2012 (net of accruals)
New Greek bonds - Position as at 30 June 2012				
Government bonds				
Financial assets held for trading	73	18	-9 (1)	10
Warrants linked to the Greek GDP				
Financial assets held for trading	84	-	-1 (2)	-

(*) Of which -2 million euro recorded under "Profits (losses) on trading" and -8 million euro recorded under "Income from insurance business" in the reclassified income statement. The latter value equals to +2 million euro net of amounts allocated to insurance products under separate management.

(1) of which -1 million euro losses from disposal on the securities market.

(2) of which -1 million euro losses from disposal on the warrants market.

Overall, the effects on the income statement recorded in the Half-Yearly Report as at 30 June 2012 of the Greek securities are summarised in the table below:

(millions of euro)

	Profits (losses) on trading/Income from insurance business (*)	Impairment as at 30.06.2012 (**)	Total effect on the income statement
Original position			
Economic effect of the exchange of securities	-3	-29	-32
Total original position	**-3**	**-29**	**-32**
Post-exchange position			
Effect of disposal of the new Greek bonds	-2	-	-2
Valuation effect as at 30.06.2012	-8	-	-8
Total post-exchange position	**-10**	**-**	**-10**
GRAND TOTAL	**-13**	**-29**	**-42**
TOTAL (net of amounts allocated to insurance products under separate management)	**-3**	**-29**	**-32**

(*) of which -2 million euro recorded under "Profits (losses) on trading" and -1 million euro recorded under "Income from insurance business" in the reclassified income statement.

(**) Economic effect of trading in L&R securities recorded among "Net impairment losses on other assets".

In addition to the above exposures, the Group has exposures in bonds of other public and private entities resident in Greece for a nominal value of 40 million euro, with a book value of 27 million euro (20 million euro under Loans and receivables, and 7 million euro under Financial assets available for sale) and with a fair value of 26 million euro, for which the measurement criteria applied in the half year report remained unchanged if compared to the previous reporting dates, without any recognition of impairment losses. Furthermore, loans to Greek parties (banks and other customers) have been disbursed for 86 million euro, in addition to margins available on irrevocable credit lines of 33 million euro.

Shareholders' equity

As at 30 June 2012, the Group's shareholders' equity, including net income for the year, came to 47,998 million euro compared to the 47,040 million euro at the end of the previous year. The change in shareholders' equity, amounting to approximately 1 billion euro, was mainly due to the dividend for 2011 distributed from the extraordinary reserve, to the net income for the period and to the 594 million euro reduction in the negative balance of valuation reserves.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2011	Change in the period	Valuation reserves as at 30.06.2012	
				% breakdown
Financial assets available for sale	-2,352	777	-1,575	58.2
of which: Insurance Companies	*-975*	*581*	*-394*	*14.6*
Property and equipment	-	-	-	-
Cash flow hedges	-933	-195	-1,128	41.7
Legally-required revaluations	344	3	347	-12.8
Other	-357	9	-348	12.9
Valuation reserves	**-3,298**	**594**	**-2,704**	**100.0**

As at 30 June 2012 the negative balance of the Group's share of valuation reserves fell to 2,704 million euro from 3,298 million euro reported at the end of 2011. The change for the period was mainly attributable to the appreciation in value of financial assets available for sale (+777 million euro), particularly debt securities held in the insurance companies' portfolios. Cash flow hedges recorded a change of -195 million euro. Other reserves and legally required revaluation reserves recorded marginal increases.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	30.06.2012	31.12.2011
Regulatory capital		
Tier 1 capital	37,034	37,295
of which: instruments not included in Core Tier 1 ratio (*)	*3,272*	*4,498*
Tier 2 capital	11,196	12,201
Minus items to be deducted (**)	-3,273	-3,144
REGULATORY CAPITAL	**44,957**	**46,352**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**44,957**	**46,352**
Risk-weighted assets		
Credit and counterparty risks	263,427	277,498
Market risks	18,764	17,488
Operational risks	24,880	24,825
Other risks (***)	9,386	5,395
RISK-WEIGHTED ASSETS	**316,457**	**325,206**
Capital ratios %		
Core Tier 1 ratio	10.7	10.1
Tier 1 ratio	11.7	11.5
Total capital ratio	14.2	14.3

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

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

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

As at 30 June 2012, total regulatory capital came to 44,957 million euro, compared to risk-weighted assets of 316,457 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The decrease in risk weighted assets recorded in the half year is mainly attributable to ordinary business activities, optimisation processes and – following Supervisory Authority approval - the elimination/decrease in specific capital requirements for certain subsidiaries and extension of the use of internal models within the Group. These effects were partly counterbalanced by the increase (in absolute terms) from integration of the floor imposed by the Supervisory Authority in relation to the calculation of the requirement according to internal methods.
Regulatory capital takes account of ordinary operations and includes an estimate of the dividends to be paid on 2012 net income, the amount of which has been determined on a conventional basis as half of the "dividend" proposed for the year 2011 (through the distribution of reserves) corresponding to 0.05 euro per ordinary and savings share.
The Total capital ratio stood at 14.2%, while the Group's Tier 1 ratio was 11.7%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.7%.

Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 June 2012 account for this measure (the effect on the Core Tier 1 ratio is +28 basis points).

Breakdown of consolidated results by business area and geographical area

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

The Intesa Sanpaolo Group

Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (*)

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2012.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first half of the year; it also illustrates income statement figures and the main balance sheet aggregates.
It should be noted that Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
30.06.2012	5,024	2,256	1,093	129	397	45	8,944
30.06.2011	4,788	2,253	1,188	136	410	-55	8,720
% change [(a)]	4.9	0.1	-8.0	-5.1	-3.2		2.6
Operating costs							
30.06.2012	-2,804	-500	-577	-57	-169	-343	-4,450
30.06.2011	-2,864	-493	-577	-64	-180	-358	-4,536
% change [(a)]	-2.1	1.4	-	-10.9	-6.1	-4.2	-1.9
Operating margin							
30.06.2012	2,220	1,756	516	72	228	-298	4,494
30.06.2011	1,924	1,760	611	72	230	-413	4,184
% change [(a)]	15.4	-0.2	-15.5	-	-0.9	-27.8	7.4
Net income (loss)							
30.06.2012	579	832	53	38	65	-293	1,274
30.06.2011	321	914	214	37	105	-189	1,402
% change [(a)]	80.4	-9.0	-75.2	2.7	-38.1	55.0	-9.1
Loans to customers							
30.06.2012	183,836	150,706	30,338	101	3,437	6,535	374,953
31.12.2011	187,435	149,201	30,676	109	3,439	5,884	376,744
% change [(b)]	-1.9	1.0	-1.1	-7.3	-0.1	11.1	-0.5
Direct deposits from banking business							
30.06.2012	200,576	94,111	31,404	8	6,510	36,231	368,840
31.12.2011	197,280	90,528	30,667	9	6,367	35,140	359,991
% change [(b)]	1.7	4.0	2.4	-11.1	2.2	3.1	2.5

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

[(a)] The change expresses the ratio between 30.06.2012 and 30.06.2011.

[(b)] The change expresses the ratio between 30.06.2012 and 31.12.2011.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2012	30.06.2011	Changes amount	Changes %
Net interest income	2,962	2,823	139	4.9
Dividends and profits (losses) on investments carried at equity	1	-	1	-
Net fee and commission income	1,607	1,671	-64	-3.8
Profits (Losses) on trading	51	51	-	-
Income from insurance business	394	230	164	71.3
Other operating income (expenses)	9	13	-4	-30.8
Operating income	**5,024**	**4,788**	**236**	**4.9**
Personnel expenses	-1,665	-1,659	6	0.4
Other administrative expenses	-1,135	-1,200	-65	-5.4
Adjustments to property, equipment and intangible assets	-4	-5	-1	-20.0
Operating costs	**-2,804**	**-2,864**	**-60**	**-2.1**
Operating margin	**2,220**	**1,924**	**296**	**15.4**
Net provisions for risks and charges	-11	-54	-43	-79.6
Net adjustments to loans	-1,157	-1,000	157	15.7
Net impairment losses on other assets	-3	-12	-9	-75.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,049**	**858**	**191**	**22.3**
Taxes on income from continuing operations	-366	-420	-54	-12.9
Charges (net of tax) for integration and exit incentives	-20	-12	8	66.7
Effect of purchase price allocation (net of tax)	-84	-105	-21	-20.0
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**579**	**321**	**258**	**80.4**

(millions of euro)

	30.06.2012	31.12.2011	Changes amount	Changes %
Loans to customers	183,836	187,435	-3,599	-1.9
Direct deposits from banking business	200,576	197,280	3,296	1.7
Direct deposits from insurance business and technical reserves	65,225	63,457	1,768	2.8

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

Banca dei Territori closed the first half of 2012 with operating income of 5,024 million euro, representing 56% of the Group's consolidated revenues, up 4.9% on the same period in 2011. In further detail, there was growth in net interest income (+4.9%) which had as one of its main causes the greater contribution from the repricing policies for loans to customers, against lower margins on deposits and benefits from the hedging of demand loans and deposits. Conversely, net fee and commission income was down (-3.8%), in particular that from asset management and bancassurance products. There was also a decrease in mortgage insurance commissions, commissions on payment cards and current accounts, and up-front commissions on bond placements, attributable in particular to the adverse market environment. Other income components showed an increase in income from insurance business, from 230 million euro to 394 million euro, mainly due to the improvement in net investment result, which benefited from more favourable performance of the markets in the first three months of 2012 and active management of the market turbulence in the second quarter. The operating performance also reflected an increase in interest income generated by the expansion of the portfolio and greater gains realised specifically to, at least partly, offset the reduction in returns from assets under separate management affected by the exchange of Greek securities. Operating costs, amounting to 2,804 million euro, fell (-2.1%) compared to the same period of the previous year.

The operating margin amounted to 2,220 million euro, up 15.4% compared to the first half of 2011. Income before tax from continuing operations increased by 22.3%, amounting to 1,049 million euro, despite greater adjustments to loans (+15.7%).

Taxes on income from continuing operations benefitted from the positive effect of the recognition of claims for reimbursement being made in relation to the recovery of the deduction of personnel expenses for IRAP tax from the year 2007 onwards. After allocation to the Division of charges for integration of 20 million euro and the economic effects of purchase price allocation of 84 million euro, net income amounted to 579 million euro compared to 321 million euro in the first half of 2011.

Analysing quarterly development, the second quarter of 2012 reported a slight decline in operating margin (-0.6%) compared to the first quarter. Income before tax from continuing operations was essentially stable (+0.3%) also as a result of the reduction in net adjustments to loans (-1.6%).
The balance sheet figures at the end of June 2012 showed loans to customers of 183,836 million euro, down 1.9% on the previous year-end mainly as a result of the decrease in loans to business and small business customers. In contrast, direct deposits from banking business, amounting to 200,576 million euro, recorded growth (+1.7%) essentially attributable to the increase in funding through securities. Direct deposits from insurance business, amounting to 65,225 million euro, increased 2.8%, due to technical reserves and, to a lesser extent, to the financial liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Manages the Household (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and group loan facilities under 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Moneta and Neos Finance) the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	More than 5,400 branches, including retail, business and private-banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

At the beginning of 2012, as an important step in the strategy of reorganisation of the Banca dei Territori brands, which will involve brand unambiguousness at local level and the simplification of operational units, the redefinition of the scope of responsibility of the Territorial Areas (increased to 28 from 27 at the end of December 2011), and the Regional Governance Centres (decreased from 8 to 7) continued.

During the half-year, the scope of the Banca dei Territori Division changed due to the assignment to the division of Banca Monte Parma, which adopted Intesa Sanpaolo's organisational processes and internal, operational and IT regulations, as well as its distribution and organisational model and criteria for allocating customers to portfolios.

Retail Marketing Department

Investment

During the first half of 2012, the offering of investment products was expanded with the launch of:
- "Eurizon Strategia Protetta I Trimestre 2012" and "Eurizon Strategia Protetta II Trimestre 2012", two Italian registered mutual funds which, through active selection of the weightings of the various components of the portfolio, aim to provide capital protection at maturity and growth in invested capital over a period of around six years;
- "Eurizon Gestione Attiva Classica - Luglio 2017", "Eurizon Gestione Attiva Dinamica - Luglio 2017" and "Eurizon Gestione Attiva Opportunità - Luglio 2017", three Italian registered mutual funds with a set duration of five years belonging to the "Sistema Gestione Attiva Luglio 2017" that aim to maximise the return on investment, through flexible management within the level of risk set for each fund;
- five new sub-funds of the Luxembourg fund "Investment Solutions By Epsilon". The aim of the first two, "Cedola x 4 02/2012" and "Cedola x 4 Indexed 05/2012", is to achieve an annual average return, over the recommended investment horizon, higher than the respective six-year and four-year swap rates set at the beginning of the investment period and to distribute an annual coupon estimated at the beginning of the investment period. The other three, "Forex Coupon 2017-2", "Forex Coupon 2017-3" and "Forex Coupon 2017-4" are focused on investing in foreign currency, mainly from emerging markets, with the twin objective of achieving a return higher than the five-year swap rate and distributing an annual coupon estimated at the beginning of the period of exposure to foreign currencies;
- four new sub-funds of the Luxembourg fund "Soluzioni Eurizon". "Soluzioni Eurizon Cedola Doc Italia 07/2015", "Soluzioni Eurizon Cedola Doc 05/2017" and "Soluzioni Eurizon Cedola Doc 07/2017", through investment in bond instruments issued by Italian issuers, for the first sub-fund, and by European issuers, for the second and third sub-funds, aim to achieve an annual average return, over the recommended investment horizon, higher than the three-year swap rate plus 0.25% and the five-year swap rate set at the beginning of the investment period with the distribution of an annual coupon. Lastly "Soluzioni Eurizon Strategia 08/2019", with a minimum investment of 45% of the assets in European and US equities, aims to achieve a return, over a period of around seven years, in line with the return achieved historically by Western equity indices over the long term, reducing the volatility of the investment;
- "Base Più 11/2017" and "Base Più Bonus", two new internal funds with a duration of five and a half years and six years respectively, which enrich the Innovation Area of the "Intesa Sanpaolo Life Prospettiva" policy, created with the purpose of increasing the value of the quotas invested by customers, while ensuring capital protection on maturity;
- "Prima Classe", the class I policy of Intesa Sanpaolo Vita, with a minimum guaranteed return and high liquidity, targeted at customers who hold certain index-linked policies and aimed at providing a repositioning of the portfolio by improving the risk/return profile.

With a view to updating the range of products, the multi-segment "Eurizon EasyFund" was reorganised into three investment lines: Limited Tracking Error, Active Strategy Line and Active Market Line.

Superflash

The "Superflash" brand, reserved for young people between the ages of 18 and 35, was extended to offer telephone and internet connectivity with advantageous tariffs for mobile voice, text messaging and data traffic.
During the half year the opening continued of new branches, in the cities of Padova, Roma and Palermo, with the "Superflash" brand featuring an innovative, interactive environment designed and tailored to meet needs of young people, with banking transactions carried out solely through self-banking equipment.

Cards

The "Carta Pensione" has been available since mid-May, the prepaid card embossed with the customer name and IBAN code, which adds to the transactional products on which pensions can be credited and satisfies the provisions of the "Decreto Salva Italia". The new card, which incorporates all the services and functions of the Superflash card, includes an insurance cover package (Safe on line, purchase protection and protection against bag snatching/theft at ATMs) and a free annual fee for cardholders over 60 years of age.

Mortgages

The module-based platform "Mutuo Domus" which, through numerous combinations of repayment plans, flexibility options and accessories, provides a structured offer of personalised solutions that fully meet the needs of customers purchasing a home, was expanded during the half-year with the offer of the "Abitazione&Famiglia" policy, in combination with disbursement of the mortgage.

Loans

Households and businesses in the provinces of Ferrara, Modena, Bologna, Reggio Emilia, Mantova and Rovigo that suffered damage from the earthquake were allocated a credit line with a ceiling of 250 million euro by Intesa Sanpaolo and the Group banks operating in the area affected (Carisbo, Banca CR Firenze and Cassa di Risparmio del Veneto) for the restoration of damaged houses and facilities, with the option of also starting to make repayments after two years. A 12-month moratorium was also granted on mortgage and lease payments for properties, both residential and business, damaged by the earthquake and current account credit lines were granted to finance emergency expenses, with a maximum term of 12 months.

Small Business Marketing Department

Deposit products

For legal persons which are part of the Public Administration, "Soluzione Business PA" has been created. This is a time deposit for the purpose of keeping liquidity of public entities under custody and optimising its management. This new threshold has a minimum entrance threshold of 500,000 euro, and only two terms (6 or 12 months). It does not require the opening of a dedicated account for entities which are already customers, and allows customers to withdraw the amounts deposited at any time, offering a minimum return equal to that of a current account.

At the end of February "Conto BusinessInsieme" was introduced. This is a new modular range of transactional products and services (current account, collection and payment services) dedicated to small economic operators, small businesses and professionals, which can be customised based on the characteristics, needs and operations of each customer.
The new product is distinguished by:
- flexibility: customers select only the services which actually interest them;
- cost transparency: the monthly fee is comprehensive and determined by the sum of the costs of the selected products/services;
- clarity of the commercial proposal: customers receive a specially-configured quote for the product;
- rewarding of virtuous conduct: the fee for the current account can be reduced based on ownership of a specific number of products, identified within a defined basket.

"Conto BusinessInsieme" is also highly innovative in terms of its commercial approach: structured analysis of customer's needs; definition of recommended baskets of products/services based on the customer's characteristics and economic sector; new commercial process which assists the customer in identifying the products and services that best match his/her needs; innovative pricing mechanisms, through a comprehensive monthly fee and rewards based on product ownership, with the option of choosing from four monthly fees correlated to customer activity.

Loans

At the end of March Intesa Sanpaolo signed up to the agreement "*Nuove misure per il credito alle PMI*" (new measures for credit to SMEs) – signed on 28 February 2012 by the Ministry for the Economy and Finance, the Ministry of Economic Development, the Italian Banking Association and business associations – which establishes measures similar to those already made available to SMEs through the Joint Notice of 3 August 2009 and the Agreement for credit to SMEs of 16 February 2011, namely: the deferral by 12 months of the payment of the principal component of instalments of medium-/long-term loans through the shifting and extension of the repayment plan by one year; the deferral of payment of the principal component of financial leases by 12 months (real property) or 6 months (movable property); extension of the repayment plan for medium-/long-term loans (excluding leases) for a maximum period equal to the remaining duration of the loans, limited to 2 years for unsecured loans and 3 years for mortgages; extension to 120 days of the maturities on credit for farming activities pursuant to Article 43 of the Consolidated Law on Banking; extension to 270 days of short-term advances on certain and collectible receivables; and measures aimed at strengthening the capital of SMEs, through loans proportional to share capital increases made by shareholders.

During the half year, "Finanziamento Energie Rinnovabili" was launched, a loan for businesses and energy service companies in the small business segment that take on the financial risk of energy works and benefit from the related financial rewards generated over time. The loan covers up to 100% of investments designed for the construction of new plants for energy generation from renewable sources other than photovoltaic sources, specifically agricultural/forest biomass and mini wind energy. With an amount from 20,000 euro to 750,000 euro and a duration of 2 to 12 years, with the option of pre-financing up to 80% and up to 12 months with the decentralised option, the loan requires a mandatory guarantee represented by the with-recourse assignment of the receivable due from the GSE (a government-owned promoter of alternative energy projects), channelling the GSE incentives into a "suspense account" exclusively reserved for managing instalments and unavailable until it reaches the amount of the instalment due. The projects regarding biomass plants must be validated by Agriventure, which conducts an overall technical assessment on the type of plant.

In the area of farming credit, "Progetto Radici", launched in 2011, was extended to the entire country. This project focuses on retail branches with a greater agricultural business, and is aimed at boosting the development of agribusiness and strengthening close relationships with local businesses, with an approach that can be modulated based on each Area's needs and specific characteristics.

Agreements

Intesa Sanpaolo and Unionfidi signed an agreement to guarantee new resources to SMEs in the Northwest of Italy. The planned credit limit, amounting to 20 million euro, guaranteed by Unionfidi, will finance both ordinary operations of businesses, with credit lines of up to 18 months, and medium/long-term investments with a view to growth or for the possible need to consolidate debts owed to the Intesa Sanpaolo Group.
At the beginning of May, Intesa Sanpaolo entered into a new agreement with Rete Imprese Italia, an association representing the leading Italian Business Confederations (Confcommercio, Confartigianato, CNA, Casartigiani and Confesercenti), that guarantees the continuation of the collaboration initiated in 2011.

Agreements	The agreement, which involves 2.6 million companies operating in retail and wholesale, services and crafts sectors, provides 5 billion euro in loans to fund working capital, rebalance financial operations and promote new businesses. The agreement confirms the involvement of the Credit Guarantee Consortia in facilitating access to credit and promoting the use of public guarantee instruments, and its strength lies in its flexibility with respect to specific local needs, with the identification of a network of local contacts and allocation of high levels of autonomy to the Area structures in defining the content and conditions of local agreements based on specific needs.

Business Marketing Department

Loans	An innovative instrument for SMEs that intend to develop a strategy to leverage their models and designs is provided by the Italian National Innovation Fund (FNI), created by the Ministry of Economic Development (MED). The Fund allows SMEs to access medium-/long-term loans backed by a portfolio provided by the MED. Intesa Sanpaolo has participated in this initiative through Mediocredito Italiano, which was awarded a significant portion of the funds of the NIF, creating "Nova+ Disegni FNI", a dedicated solution which offers loans at advantageous conditions without any personal guarantees, collateral or insurance guarantees in addition to that already provided by the FNI. 50 million euro is available for designs and models, and 115 million euro for patents.
Internationalisation	To support the international development plans of Italian SMEs, Intesa Sanpaolo and Mediocredito signed an agreement with SACE (Italian export credit insurance company) to finance companies that invest in international projects, without requiring collateral, making available a maximum amount of 500 million euro for businesses with turnover of less than 250 million euro, of which at least 10% generated outside of Italy. The loans, in amounts from 250,000 euro to 5 million euro and duration of 3 to 5 years, will benefit from the SACE guarantee for up to 70% and will be disbursed by Mediocredito Italiano through the new product" International+ con garanzia SACE". To facilitate the process of internationalisation of Italian companies, two partnership agreements have been signed with the CITTC (China-Italy Technology Transfer Center) by SIMEST (Società Italiana per le Imprese all'Estero) a financial company controlled by the Ministry of Economic Development and by SIBAC (Shanghai Sino-Italy Business Advisory Company), a Chinese company of the Intesa Sanpaolo Group. This initiative opens up a channel for collaboration not only for SMEs, but also for universities and research centres that would like to operate in China in the hi-tech industry, providing guidance in understanding the market and seeking local partners for the joint development of commercial and industrial operations.
Agreements	Intesa Sanpaolo signed an agreement with Federturismo Confindustria (Italian National Travel and Tourism Industry Federation) aimed at growth of the hotel tourism sector, which involves the development of partnerships in the following areas: renovation and development of the hotel system; aggregations and growth in size; training and retraining of human capital; energy efficiency and ecosustainability; and innovation, research and technological development. The partnership, which involves the structuring of the agreement at local level, with the establishment of local commissions, aims at leveraging the synergies among the successful elements of the "Made in Italy" concept, meaning tourism, art, culture, environment and the agrofood sector. Intesa Sanpaolo has signed an agreement, "Imprese di Moda nel Mondo" (fashion businesses in the world), with Sistema Moda Italia, the largest trade association in the textile-fashion industry, aimed at supporting businesses, particularly SMEs, that are looking to expand in international markets, by offering services and expertise to help increase their presence in markets that are expanding (Brazil, Russia, India and, in particular, China) or with recovering demand (USA).

Intesa Sanpaolo Private Banking

In the first half of 2012, Intesa Sanpaolo Private Banking operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and a focused cost reduction policy.
The customer offering was expanded with the commercial launch of the advisory service for mid-level customers, as an addition to the Private Advisory Service (the for-pay advisory service already active for top level customers).
In the first half of the year, for-pay private advisory services experienced increasing demand, with the establishment of new contracts of around 150 million euro per month. Development of the asset management business and expansion of the product range also continued with the commercial launch of the Franklin Templeton funds and the strengthening of the partnership with Eurizon. Assets managed rose from 71.1 billion euro to 72.7 billion euro during the half-year, thanks to the effective commercial action of the network and the results achieved by asset management products, with specific reference to portfolio management.
As regards placement, the Enel public offering was successful, in addition to the placement of Group bonds.
A specific pilot initiative was successfully completed, aimed at developing synergies with the Business segment of Banca dei Territori in order to identify new opportunities to increase the customer base. The positive development of volumes and cost containment action resulted in a reduction in the cost/income ratio and a further decrease in the costs/volumes indicator, which is among the best in Europe. Lastly, specific training sessions were provided during the half-year to branch directors, team leaders and bankers, aimed at further improving the quality of service to customers.

Intesa Sanpaolo Private Banking earned net income of 73 million euro in the first six months of 2012, up 44.2% compared to the same period of 2011, mainly as a result of the good performance of revenues (+12%), boosted by interest income and net fee and commission income, as well as by cost savings (-8.8%).

Product companies

In the first half of 2012, Mediocredito Italiano disbursed a total of around 1.5 billion euro in loans, down 8% compared to the same period of 2011. Nonetheless, the trend in disbursements in the half-year showed growth linked to the reduction in interest rates, which had reached extremely high levels in December 2011 and January 2012, leading customers to postpone taking out loans. Operations of the Specialised Desks continued during the period: specifically, loan applications for over 900 million euro were received, with a clear predominance of loans in the Energy area representing 66% of the total disbursed by the Desks.
During the half-year, Mediocredito sold doubtful loans to the Parent Company and third parties, for a total of approximately 1,700 million euro, thereby significantly reducing assets at the greatest risk. The operating margin came to 89 million euro, an increase compared to the 86 million euro for the first six months of 2011. This performance was primarily attributable to an increase in net fee and commission income, particularly from applications, and lower administration costs for asset management, which more than offset the decline in interest margin resulting from the trend in volumes disbursed attributable to the economic crisis and only partially offset by strong pricing performance. As a result of the reduction in the cost of credit due to the decrease in assets at risk, following the above mentioned sale, the half-year closed with net income of 4.6 million euro compared to a net loss of 28 million euro in the same period of 2011.

Consumer credit activities are carried out through Moneta and Neos Finance.
During the first half of the year there was a generalised downturn in disbursements in the consumer credit market. In this context, the Banca dei Territori distribution network disbursed loans relating to the subsidiary Moneta totalling 924 million euro, down 8% compared to the same period of the previous year (personal loans -5.3%, loans against assignment of one-fifth of salary -17.4%). During the half-year marketing initiatives were undertaken, in collaboration with Banca dei Territori, aimed at supporting the disbursement of loans (Spring 2012 campaign) and countering early loan terminations (R.est.a campaign), with the former having resulted in the disbursement of 477 million euro of personal loans.
Moneta's income before tax from continuing operations amounted to 20 million euro (compared to 25.5 million euro in the first half of 2011). The reduction was due to a decrease in revenues (-1.9%) attributable to lower disbursements made, higher operating costs (+8.9%) and, above all, the increase in net adjustments to loans compared to the same period of 2011 (+12%).
Neos Finance closed the first half of 2012 with a total amount financed of 713 million euro, down 28.6% compared to the same period of the previous year.
The operating margin of Neos Finance amounted to 42.5 million euro, down 26.8% compared to the first six months of 2011 due to lower net interest income and net fee and commission income. The higher adjustments to loans carried out during the half-year resulted in a loss before tax from continuing operations and a net loss.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 11.3 million cards managed by Setefi as at 30 June 2012 are cards issued directly by the Parent Company and the Group banks (+10% approximately compared to the first six months of 2011). In the first half of 2012 the volume of transactions handled increased (transactions on Setefi POS and transactions on cards issued by Group banks on other POS), as well as the total amount transacted compared to the same period of 2011. The total number of transactions handled (around 298 million) increased 16% compared to the same period of 2011; the total amount transacted (over 23 billion euro) was up around 12%. The main actions implemented during the half-year included: expansion and development of the "Move and Pay" platform (implemented with Setefi's contribution as part of the "Superflash" initiatives) and "Mobile Proximity Payment" projects, in collaboration with the Bank; implementation of the cross-border acquiring management project; development of the project aimed at concentrating the activities relating to Bancomat/Pagobancomat card authorisation system (including ATM withdrawals) within Setefi; and upgrade of the channel and e-commerce services with the activation of the new portal and the migration of customers.
In the first half of 2012 Setefi recorded a significant increase in operating margin, which rose to 95 million euro (+17.4% compared to the same period of 2011) and in net income, amounting to 64 million euro (+20.9%), as a result of the increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

Banca Prossima

During the half-year, Banca Prossima, which operates in the non-profit sector with 66 local branches and 140 specialists distributed across the country, continued to acquire new customers for the Group. As at 30 June 2012 Banca Prossima had approximately 20,000 customers (almost 65% of which new to the Group). As at the same date, financial assets amounted to 4.1 billion euro, of which over 900 million euro in direct customer deposits and 235 million euro in bonds, and lending operations had achieved an approved amount of about 1.3 billion euro. In the first half of 2012 the company reported revenues of 18 million euro (+41.9% compared to the same period of 2011), achieving an operating margin of 6.8 million euro and net income of 3.4 million euro. In the first half of 2012 Banca Prossima's commercial initiatives mainly involved the acquisition of new customers, leveraging the range of current accounts and short-term financial solutions offered, as well as the development of existing customers with the aid of a new method for profiling organisations to estimate market potential and identify "physiological" financial needs by segment. In addition, Banca Prossima, jointly with the Parent Company, took part in several initiatives in favour of non-profit organisations, including the Moratoria Debiti PMI - Nuove misure per il credito alle piccole e medie imprese (moratorium on SME debts – new measures for credit to small and medium enterprises) – approved by the Ministry for the

Economy and Finance on 28 February 2012, and the moratorium established by law, as well as the voluntary moratorium to help organisations affected by the earthquake in Emilia. Lastly, Banca Prossima also offered innovative and distinctive solutions for the non-profit sector, such as Terzo Valore and FITS.

Insurance and Pension companies

Intesa Sanpaolo Vita, the new insurance company of the Intesa Sanpaolo Group created from the merger by incorporation of Sud Polo Vita, Intesa Sanpaolo Vita (formerly Intesa Vita) and Centrovita Assicurazioni into EurizonVita, has been operating since 1 January 2012. Intesa Sanpaolo Vita offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, private bankers of Banca Fideuram and Sanpaolo Invest for pension products, Neos Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group also includes: Intesa Sanpaolo Assicura, which operates in the non-life business; Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.
In the first half of 2012 Intesa Sanpaolo Vita reported income before tax from continuing operations of 329 million euro, a significant increase on the 147 million euro for the same period of 2011, due to the favourable performance of net investment result attributable to the recovery of the financial markets in the first quarter of the year and active management of the market turbulence in the second quarter. At the end of June 2012 the portfolio of policies came to 67,873 million euro, up 0.7% from the beginning of the year. In the first six months of 2012, gross life premiums underwritten for both insurance products and investment products amounted to 4,020 million euro, compared to 7,466 million euro in the same period of the previous year. New life business amounted to 3,881 million euro (7,280 million euro in the first six months of 2011).

As at 30 June 2012 the assets managed by Intesa Sanpaolo Previdenza came to 1,436 million euro, of which 1,183 million euro consisted of open-ended pension funds established by the company (+4.5% compared to the end of December 2011) and 253 million euro of closed-end funds (up by 2.1% from the beginning of the year). Net inflows for the half-year were positive for both types of funds. At the end of June 2012, Intesa Sanpaolo Previdenza had almost 247,500 pension positions under management, of which around 145,000 attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement	30.06.2012	30.06.2011	Changes	
			amount	%
Net interest income	1,203	1,135	68	6.0
Dividends and profits (losses) on investments carried at equity	-3	-	3	-
Net fee and commission income	491	533	-42	-7.9
Profits (Losses) on trading	555	566	-11	-1.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	10	19	-9	-47.4
Operating income	**2,256**	**2,253**	**3**	**0.1**
Personnel expenses	-214	-217	-3	-1.4
Other administrative expenses	-283	-273	10	3.7
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-500**	**-493**	**7**	**1.4**
Operating margin	**1,756**	**1,760**	**-4**	**-0.2**
Net provisions for risks and charges	-7	-7	-	-
Net adjustments to loans	-505	-229	276	
Net impairment losses on other assets	-53	-25	28	
Profits (Losses) on investments held to maturity and on other investments	-	-140	-140	
Income (Loss) before tax from continuing operations	**1,191**	**1,359**	**-168**	**-12.4**
Taxes on income from continuing operations	-359	-444	-85	-19.1
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**832**	**914**	**-82**	**-9.0**

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Loans to customers	150,706	149,201	1,505	1.0
Direct deposits from banking business [(a)]	94,111	90,528	3,583	4.0

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

[(a)] The item includes capital protected securitised derivatives (certificates) classified under financial liabilities held for trading.

In the first half of 2012, the Corporate and Investment Banking Division (including BIIS) earned 2,256 million euro in operating income (representing 25% of the Group's consolidated figure), essentially stable compared to the same period of 2011.
In detail, net interest income, amounting to 1,203 million euro, reported a positive trend (+6%) attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italy and Mid Corporate segments), Mediofactoring and the public entities segment of BIIS, and compensating for the negative performance of the average volumes of loans to customers, which fell slightly compared to the first half of 2011. The interest margin attributable to the assets relating to Banca IMI's HFT & AFS portfolio was also up, having benefited both from an increase in average investments in fixed-income securities and a higher average return. Net fee and commission income, amounting to 491 million euro, recorded a 7.9% decrease attributable to the investment banking segment, especially in reference to the primary market and structured finance which in the first half of last year had benefited from non-recurring transactions. Within the other segments, commercial banking services generated income, particularly on loans, guarantees and factoring. Profits on trading, amounting to 555 million euro, were down slightly (-1.9%) due in particular to lower financial returns from the portfolio of investments in merchant banking. Operating costs amounted to 500 million euro, up 1.4% compared to the same period of 2011, due to higher administrative expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,756 million euro, remained essentially stable (-0.2%). Conversely, income before tax from continuing operations, amounting to 1,191 million euro, was down (-12.4%), due to adjustments to loans, which more than doubled, following the impairment of corporate, structured finance and leasing positions. Lastly, net income came to 832 million euro, down 9% on the first six months of the previous year.
In quarterly terms, the second quarter of 2012 showed a decrease in operating income (-10.3%) compared to the first quarter, attributable to the negative performance of all its components. The decline in revenues, along with the increase in operating costs (+1.1%), resulted in a decrease in operating margin (-13.3%). Income before tax from continuing operations came to 486 million

euro, down on the first quarter of 2012, due to high adjustments to loans. Lastly, net income, at 368 million euro, fell 20.7% compared to the previous quarter.
The Division's intermediated volumes grew compared to the end of December 2011 (+2.1%). In detail, direct deposits from banking business increased 4%, mainly attributable to the securities issued component (+6%) associated with the growth in operations in securities with leading financial institution customers. Loans to customers were up 1% driven by the growth in repurchase agreements of Banca IMI. Use of cash by Italian and international corporate counterparties and product companies operating in the factoring and leasing segment remained stable.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Banca Infrastrutture Innovazione e Sviluppo	BIIS serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
Large Corporate Italy	The Department is charged with managing relationships with Italian large corporate customers through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets
Mid Corporate	The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
International	The Department is charged with relationships with international customers and international large corporate customers with subsidiaries in Italy, and is responsible for international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	Responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the companies Leasint and Centro Leasing
Distribution structure	In Italy, it draws on 56 branches dedicated to corporate customers and 16 branches serving public customers. At the international level, the Corporate and Investment Banking Division operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity. The Division also has two representative offices (Istanbul and Paris) to support BIIS' operations

Banca Infrastrutture Innovazione e Sviluppo

In the first half of 2012, to support and promote the development of large national infrastructures, BIIS, in collaboration with Banca IMI, continued its activity on large motorway projects including the BreBeMi project (Brescia-Bergamo-Milano motorway), the Milan East outer ring road and the Pedemontana Lombarda motorway. Also of note were the loan granted to the company Autostrada Torino Milano, aimed at strengthening the company's shareholding structure; the issue of an unsecured credit line to Confederazione Autostrade, organiser of the project for the construction of the regional motorway Medio Padana Veneta Nogara – Mare Adriatico; and the granting of a commercial credit line to the company Grandi Lavori Fincosit within the project for the construction of the Umbria - Marche motorway network. The financial support to the Pizzarotti Group was also renewed.
In support of healthcare services, universities and scientific research, BIIS financed the IRCCS Cà Granda Foundation for the modernisation of the Ospedale Maggiore Policlinico of Milano. To increase the efficiency of the healthcare system in the Lazio and Campania Regions, BIIS continued the without recourse factoring of receivables due to contracted healthcare facilities and suppliers of Healthcare Companies and Hospitals, and also renewed the agreement for the purchase without recourse of certified receivables due to Università Cattolica del Sacro Cuore from suppliers of the Policlinico Gemelli.
In the area of improvement of public services and utilities, initiatives in the multiutility sector included: the loan to the Azienda Speciale Brescia, which manages part of the water service for the province, for the construction of a new purification plant; and the renewal of the bridge loan to Società Multiservizi, to finance the investments envisaged in the Environmental Plan of the Marche-based company operating in the integrated water cycle and gas distribution sectors. A medium-/long-term loan to the company Dolomiti Energia, a longstanding utility company operating in province of Trento, was also renewed. In the alternative, low-environmental-impact energy sector, the bank is involved in various wind farm and photovoltaic projects, also on agricultural greenhouses, specifically in Abruzzo, Lazio, Umbria, Calabria, Basilicata and Puglia, funded both through the distribution of project finance loans and under financial lease of public property.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities (including the Province of Modena and the Municipalities of La Spezia and Como). The support to the Public Administration and its suppliers by providing advances on the amounts due to the suppliers from Local Authorities was renewed. Numerous agreements were signed for the without recourse factoring of receivables due to suppliers of goods and services to local authorities throughout Italy, including the provinces of Varese, Como, Lecco, Lodi, Alessandria and Potenza and the municipalities of Monza, Pavia, La Spezia, Savona and Teramo. Moreover, in the area of government-subsidised loans, a short-term loan was granted to the special commissioner of Fadalti, a longstanding Friuli-based construction company, as well as a short-term bullet loan to Firema Trasporti, a mechanical engineering company involved in the design, construction and repair of locomotives, trains, underground trains and trams.
Urban and local development projects included the loan granted to Brescia Infrastrutture for the completion of construction works on the automatic light underground railway line which will connect the neighbourhoods north of Brescia with those in the southeast area, and the loan granted through finance lease of public property for the construction of the "Cittadella degli Studi di Fabriano" academic complex in the Province of Ancona, the largest campus within the province, which includes three schools and a professional training centre, and fulfils the need to redevelop academic construction in the area, with low-environmental-impact buildings without architectural barriers, as well as the loan, with costs covered by the government, granted to the Consorzio di Bonifica del Musone, Potenza, Chienti, Asola e Alto Nera for the construction of an irrigation plant in the province of Macerata.
Net income came to 28 million euro, down compared to the 78 million euro for the first half of 2011.

Large Corporate Italy and Mid Corporate

In the first half of 2012, total volumes for corporate customers in terms of approvals continued to decline in line with the industry trend. In contrast, volumes used were essentially stable. In particular, the level of use of credit lines was higher than the industry average, confirming the preference for the Group shown by corporate firms. The trend towards higher level of use was particularly strong for short-term commercial loans, with percentages exceeding 80% for the Large Italy segment and 55% for the Mid Corporate segment.
In the first half of the year, despite the difficult market scenario, 33 structured finance and investment banking transactions were undertaken in the Mid-Corporate Department, compared to 37 transactions undertaken in the first six months of 2011.
During the period the "Start-Up Initiative" continued, through which the Group is maintaining its role in supporting the development of Italian and international technology companies, as an impartial player able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since the launch of the initiative, 40 editions have been held, including 14 during the half-year, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The initiative was awarded the "Premio ABI per l'innovazione nei servizi bancari" (Italian banking association award for innovation in banking services) and the "Premio dei Premi per l'Innovazione" (award of awards for innovation) by the Italian Government. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for Large and International Corporate customers continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. Lastly, the "Il mondo delle Imprese" (world of enterprises) project, based in Padova, is now operational with the twin objective of strengthening the Group's image at local level through an innovative layout that reflects the "new way of banking" and of optimising synergies through the centralisation of logistics, shared commercial practices and joint events/meetings with customers. Events on the subject of "internationalisation" involving around 200 entrepreneurs have already been organised.

International Unit

The International Unit directly covers 29 countries through 12 wholesale branches, 18 representative offices, 2 subsidiary banks and one advisory firm. In the first half of 2012 the internationalisation strategy was strengthened by the opening of the representative office in Abu Dhabi. International coverage was pursued through the strengthening of relations with Italian and international customers, expansion of the offering and coverage of the most attractive markets through a model for managing international network customers that is consistent throughout the Group's international network.
The Department is responsible for:

- Société Européenne de Banque, which recorded net income of 82 million euro in the first half of 2012, up 31.6% on the same period of the previous year, thanks to growth in revenues (+18.5%), attributable to the positive trend in net interest income and profits on trading, which more than offset greater costs;
- Intesa Sanpaolo Bank Ireland, which reported net income of 23 million euro, down 50% compared to the same period of 2011, mainly due to the fall in operating income (-45.7%), penalised by lower net interest income.

Global Banking & Transaction

The first half of 2012 was marked by the easing of strains on liquidity which considerably contained the levels of funding needed by customers, resulting in a slight decrease in spreads on outstanding short-term loans. In this scenario, commercial operations were mainly focused on the dynamic management of short-term loans and the search for lending opportunities, in relation to selected customers, linked to opportunities to sell commission-based products and those with higher added value. In Trade Finance, the actions aimed at increasing foreign-on-foreign operations continued through funded activities with Turkish, Chinese and Indian banks and through the purchase of unfunded assets in the secondary market. In the capital market, cross-selling initiatives with Banca IMI in Eastern Europe also continued.
In the Structured Export Finance sector, the strategy to favour medium-/long-term Italian operations continued. Specifically, operations backed by SACE also progressed through the increasing role in the Export Bank Agreement (Cassa Depositi e Prestiti), to favour the creation of a national system to support exports capable of competing with the best international initiatives. To that end, in June the agreements were finalised with the bank VTB Bank Russia, in collaboration with SACE, Cassa Depositi e Prestiti and Simest, for an exports loan package in favour of the De Eccher Group for the construction of the "VTB Arena Park" in the area around the Dynamo Mosca stadium ahead of the "Russia 2018" soccer world championships.
With regard to Transaction Banking, efforts focused on the implementation of the "Transaction Banking Strategy" aimed at strengthening the Bank's domestic leadership and expanding its presence in international markets through the improvement of the offering. The roll-out of the new Inbiz Web Channel, with the new cash management and trade services offerings, has reached 60% of the Division's target customers and will be completed in 2012. In addition, the marketing campaigns also continued to market transactional services dedicated to insurance customers and SEPA clearing services dedicated to small and medium-sized banks, both local and international. In addition, new business opportunities were created with recently-established payment institutions, which are entering the payment sector, for which two customised offerings have been designed to support their operations.
Lastly, commercial initiatives of the Local Custody office focused on cross-selling with Banca IMI, aimed at acquiring integrated execution and custody mandates and providing several leading customers with complementary services for transfer of collateral to the Bank of Italy, to allow these counterparties to access funding from the Central Bank under its monetary policies.

Merchant Banking

As at 30 June 2012, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 3 billion euro, of which 2.5 billion euro was invested in companies and 0.5 billion euro in private equity funds. In the first half of 2012, Intesa Sanpaolo, through its subsidiary IMI Investimenti, participated in the reserved share capital increase of Pianoforte Holding, for an amount of 40 million euro, equal to 10% of share capital. The holding company holds 100% investments in the two companies that own the Yamamay and Carpisa brands, respectively operating in the lingerie and leather goods and luggage sectors. Intesa Sanpaolo also sold the investment held in London Stock Exchange Group realising a gain of 94 million euro. Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in the new national Atlante Private Equity fund, dedicated to small and medium-sized enterprises, and in venture capital funds.

Structured Finance

In the first half of 2012, numerous transactions were implemented to support lending by the Parent Company to corporate customers and by the Banca dei Territori, in which Banca IMI acted as Mandated Lead Arranger (MLA), including: the signature of the Forward Start Facility in favour of Telecom and the loan to Telco; the loan to Edizione Holding including a tranche for the Benetton tender offer; the initiative aimed at refinancing the debt of Saras; the structuring of the revolving credit line to fund Tecnimont S.p.A. contract portfolio; the loan to IVS (leading operator in the vending sector) for the acquisition of Selecta Italia under the merger with Italy 1 Investment; the loan to fund the acquisition of EcorNatura Sì with the Crespi family's entry into the shareholder base; and the loan as part of Clessidra's acquisition of a stake in Euticals. The participation was also renewed in the refinancing relating to the existing credit lines in favour of the Smurfit Kappa Group.
Regarding Project & Acquisition Finance, the contribution continued to the origination and structuring of credit facilities to support the following acquisitions: the operating business line Bitolea Chimica Ecologica (Italy) by the Clessidra private equity fund; Alpitour (Italy) by a consortium of financial investors headed by the Wisequity and ILP Funds private equity funds; Iceland Foods Group by a group of investors and members of the management; and Light Force (Italy) by the Carlyle private equity fund. The following credit facilities were also granted: to fund the acquisition by Delmi of 70% of the share capital of Edipower and

refinance Edipower's existing debt; to Intertrust Group Holding S.A. to fund the acquisition of Walker Management Services; to Greentech Energy System A/S (Denmark) as part of a public offer for the acquisition of a listed Spanish company operating in the renewable energy sector; and to Moby (Italy) for the refinancing of its existing debt, for the capital increase aimed at acquiring a stake in the Compagnia Italiana Navigazione and for working capital needs. The origination and structuring also continued of credit facilities that will be finalised during the year.
Lastly, in the first half of 2012 Banca IMI confirmed its leadership in the structuring of loans in all market segments, by offering a comprehensive range of financial products dedicated to real estate and providing specialist advisory services for the property segment. In particular, in the capacity of MLA, Banca IMI finalised credit facilities amounting to 153 million euro, including the facilities for Centro Sviluppo Ostiense, to support the renovation and real estate development project for the former Mercati Generali area in Rome. With regard to advisory services, a mandate was acquired to upgrade a hotel located in Venezia and the mandate to analyse and identify the best financial structure for Beni Stabili SIIQ.

Proprietary Trading

In the first half of 2012 Proprietary Trading posted a reduction in revenues attributable to the structured credit product segment, which more than offset the growth in the Hedge Funds portfolio. In particular, structured credit products were affected by the negative performance of the New York monoline structures, which more than absorbed the slight recovery in funded and unfunded positions. Risk exposure showed a decrease, from 2,772 million euro as at 31 December 2011 to 2,277 million euro as at 30 June 2012. The hedge fund portfolio, which amounted to 682 million euro at the end of June 2012 compared to 665 million euro at the beginning of the year, provided a positive contribution to revenues, mainly due to the recovery in value of positions in the banking, energy and mineral segments, particularly gold, as well as the divestment of several positions.

Investment Banking, Capital Market and primary market

In the first half of 2012, Banca IMI confirmed its position as the leading operator in Italy in the debt capital market segment. In the financial institutions segment, Banca IMI was the leader in the placement of bonds issued by Italian banks and is consolidating its positioning with European customers, though in the presence of highly unfavourable market conditions for this category of issuers. In Italy, the bank acted as bookrunner for the eurobonds issued by Banca Monte dei Paschi di Siena and Intesa Sanpaolo. It acted as bookrunner for international customers, for the issues by Raiffeisen Bank International and Société Générale. Moreover, as dealer manager, it participated in the liability management transactions of Banca Popolare di Vicenza, Banca Popolare dell'Emilia Romagna and Intesa Sanpaolo. With regard to corporate customers, the Bank acted as bookrunner for the issues by Iberdrola, Fiat Auto, MAN SE, ENI, Banque PSA and Telecom Italia. In the high yield segment it participated in the Wind issue. The coordination of the placement syndicate for the exchange tender offer on Enel bonds, placed among the general public in Italy, is worthy of note. For issuers in the sovereign, supranational & agencies segment, Banca IMI acted as dealer manager for the innovative "BTP Italia" bond issued by the Republic of Italy, designed for retail customers, but also open to institutional investors. The Bank also took part, as dealer manager, in the repurchase offer of two covered bonds of Cassa Depositi e Prestiti.
In the equity capital market, Banca IMI participated in the Italian market, as joint bookrunner, in the share capital increase offered in option by UniCredit and in Terna's accelerated bookbuilding, while internationally, it participated in the accelerated bookbuilding of the shares of London Stock Exchange and the shares of the Turkish bank Akbank, in Peugeot's capital increase and in the placement of the shares of BlackRock and the equity units of United Technologies. In the tender offer/delisting segment the bank oversaw the voluntary tender offer by Edizione on Benetton Group shares, as financial advisor and intermediary responsible for coordinating subscriptions. At the end of June 2012 Banca IMI was specialist or corporate broker for 41 companies quoted on the Italian market.
In its M&A Advisory activity, Banca IMI concluded significant transactions, confirming its leadership in the Italian market. Specifically, the Bank provided advice to the following: in the industrials sector, Italy1 Investment SA in the merger by incorporation of IVS, Clessidra in its acquisition of 80% of Bitolea, Compagnia Italiana di Navigazione in the acquisition of Tirrenia (concluded in July), and InvestIndustrial in the sale of Ducati (to be completed next quarter); in the pharma sector, Clessidra in its acquisition of a stake in Euticals; in the consumer & retail sector, Edizione in the voluntary tender offer for 100% of Benetton shares and Carlyle in the acquisition of Twin Set; and, in the energy & utilities sector, Iren in the reorganisation of the chain of control of Edipower and Greentech in the acquisition of the Spanish company Fersa (to be completed next quarter).

Factoring and Leasing

In the first six months of 2012 Mediofactoring reported a turnover of 25.9 billion euro, a 5.1% increase on the same period of 2011, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.2%, up from 29.6% at the end of 2011. Compared to 31 December 2011, outstanding receivables, equal to 11.7 billion euro, were down slightly (-0.7%), while period-end loans came to 9.6 billion euro, down 2.7%. This performance was attributable to the seasonality of factoring, characterised by increasing rises in operations over each quarter of the year. The positive trend in operations was confirmed by the average volumes of loans, amounting to 7.3 billion euro, up 0.7 billion euro compared to the end of the previous year (+11%). In terms of income statement figures, the operating margin for the first half of 2012, amounting to 103 million euro, was up 37.6% compared to the same period of the previous year as a result of the increase in operating income (+29.2%), driven by net interest income which benefited from the positive performance of average volumes and net fee and commission income. Net income amounted to 53 million euro, up 34.5% on the first half of 2011.

Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 21.4% (17.9% at the end of December 2011). The Bank operates in this sector through Leasint and Centro Leasing, which carry out their role within the Leasing Hub, focusing the distribution of products on captive bank customers and non-captive customers, respectively.

In the first half of 2012 Leasint entered into 4,150 new contracts for a total value of 1,368 million euro, down compared to the first half of 2011, but in line with the market trend. The amount outstanding of 18.5 billion euro was stable compared to the end of December 2011. The property and automotive leasing sectors recorded decreases in line with competitors, while the energy and instrumental leasing segment experienced a downturn at a slower pace than the market. During the period, the new product Leasenergy 20-200 was fine-tuned, to finance photovoltaic plants with capacity of 20 to 200 kw. In terms of income statement figures, Leasint closed the half year with a loss of 13 million euro compared to a profit of 23 million euro for the first six months of 2011, mainly due to the fall in revenues (-23.9%), penalised by lower interest income (-21.6%) and the significant increase in adjustments to loans (+39.7%).

Centro Leasing entered into contracts for over 390 million euro in the first six months of 2012, an increase of 9.2% compared to the same period of 2011. Business activities were mainly focused on the development of the energy sector. In terms of income statement figures, the company reported a net loss of 20 million euro (compared to a profit of 1.5 million euro in the first half of 2011), attributable to the reduction in operating income (-23.7%), penalised by lower net interest income (-24.8%) and higher adjustments to loans (+53.4%).

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2012	30.06.2011	Changes	
			amount	%
Net interest income	817	872	-55	-6.3
Dividends and profits (losses) on investments carried at equity	17	10	7	70.0
Net fee and commission income	269	285	-16	-5.6
Profits (Losses) on trading	25	45	-20	-44.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	-35	-24	11	45.8
Operating income	**1,093**	**1,188**	**-95**	**-8.0**
Personnel expenses	-303	-289	14	4.8
Other administrative expenses	-209	-220	-11	-5.0
Adjustments to property, equipment and intangible assets	-65	-68	-3	-4.4
Operating costs	**-577**	**-577**	**-**	**-**
Operating margin	**516**	**611**	**-95**	**-15.5**
Net provisions for risks and charges	-12	2	-14	
Net adjustments to loans	-356	-320	36	11.3
Net impairment losses on other assets	-13	-5	8	
Profits (Losses) on investments held to maturity and on other investments	2	4	-2	-50.0
Income (Loss) before tax from continuing operations	**137**	**292**	**-155**	**-53.1**
Taxes on income from continuing operations	-84	-78	6	7.7
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**53**	**214**	**-161**	**-75.2**

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Loans to customers	30,338	30,676	-338	-1.1
Direct deposits from banking business	31,404	30,667	737	2.4

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

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In the first half of 2012, the Division's operating income was down 8% compared to the same period of the previous year, amounting to 1,093 million euro. A detailed analysis shows that net interest income came to 817 million euro, a decrease compared to the 872 million euro in the first six months of 2011 (-6.3%), mainly due to the trends reported by CIB Bank (-63 million euro), Privredna Banka Zagreb (-17 million euro), Banca Intesa Beograd (-7 million euro) and Banka Koper (-5 million euro), only partly absorbed by the increase recorded by Bank of Alexandria (+43 million euro). Net fee and commission income recorded a decrease of 5.6%, largely attributable to CIB Bank (-11 million euro). Profits on trading, amounting to 25 million euro, also decreased (-44.4%) due to lower contributions from VUB Banka (-24 million euro) and CIB Bank (-4 million euro), which were only partly offset by increases of Privredna Banka Zagreb (+3 million euro) and Banca Intesa Beograd (+2 million euro).
Operating costs, amounting to 577 million euro, were essentially stable compared to the first six months of 2011. As a result of the trends in revenues and costs described above, the operating margin reported a drop of 15.5%, amounting to 516 million euro. Income before tax from continuing operations, amounting to 137 million euro, declined by 53.1% compared to the same period of the previous year, mainly due to greater provisions for risks and charges (+14 million euro) and higher net adjustments to loans, up from 320 million euro to 356 million euro. The latter were largely influenced by CIB Bank, which recognised provisions particularly in the retail segment and the small and medium enterprises segment, and by Pravex Bank. The Division closed the first half of 2012 with a net income of 53 million euro (-75.2%).
On a quarterly basis, the second quarter of 2012 reported an operating margin down 2.1% on the first quarter, due to a slight decrease in revenues (-0.7%) and small increase in operating costs (+0.6%). Conversely, income before tax from continuing operations reported sharp growth compared to the first quarter of the year, which had been penalised by the posting of high adjustments to loans.

The Division's intermediated volumes increased slightly compared to the end of December 2011 (+0.7%) due to the growth in direct deposits from banking business (+2.4%) both in amounts due to customers and securities issued. Loans to customers recorded a slight decrease (-1.1%).
It should be noted that the Division's negative performance in the first half of 2012 compared to the first half of 2011 was largely attributable to the negative performance of the subsidiary CIB Bank, which was severely affected by the current economic downturn in Hungary. These effects were particularly significant due to the subsidiary's size in relation to the International Subsidiary Banks Division as a whole. Consider for example that of the 95 million euro decrease in the Division's revenues 76 million euro related to CIB Bank, which also accounts for 102 million euro of the overall reduction in income before tax of 155 million euro. Lastly, 107 million euro of the 161 million euro decrease in the Division's net income was attributable to the Hungarian bank.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Distribution structure	1,543 branches in 12 countries

South-Eastern Europe

In the first half of 2012, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 250 million euro (-5.8% compared to the same period of the previous year), primarily due to the decrease in net interest income. Operating costs fell slightly to 117 million euro (-0.7%). As a result the operating margin came to 133 million euro, down 9.9% compared to the first six months of 2011. Income before tax from continuing operations, amounting to 94 million euro, showed a smaller decrease (-3.8%) benefiting from the sharp reduction in adjustments to loans (-27.4%), while net income came to 75 million euro (-4.2%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 72 million euro, down 8.5% on the first half of 2011. Operating income fell 6.3%, mainly as a result of the performance of net interest income, offset by growth in profits on trading. Operating costs fell by 2.9%, as a result of the decrease in administrative expenses. Net income amounted to 40 million euro, compared to 47 million euro for the same period in the previous year (-14.6%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first half of 2012 with an operating margin of 7 million euro, up 3.6% on the same period of the previous year. This performance was due to higher operating income (+2.3%) only partly offset by the increase in operating costs (+1.4%). With adjustments to loans down (-14.5%), net income rose to 3.7 million euro from 3 million euro in the first half of 2011.

Intesa Sanpaolo Bank Albania posted an operating margin of 12 million euro, substantially stable compared to the same period of 2011, as a result of revenues and costs essentially in line with those of the first half of the previous year. Net income amounted to 6.5 million euro, down compared to 9.5 million euro in the first six months of 2011, mainly due to higher adjustments to loans (increased from 2.2 million euro to 4.9 million euro).
The companies operating in Romania (Intesa Sanpaolo Bank Romania, Banca CR Firenze Romania and ISP Leasing Romania) posted a total operating margin of 7 million euro, up 28.5% on the same period of the previous year. In particular, operating income increased by 2.3% due to growth in profits on trading. Operating costs showed a decrease (-5.6%) attributable to all expense items. The companies closed the first half of 2012 with a net loss of 19 million euro, a deterioration compared to the net loss of 6.3 million euro in the same period of 2011, mainly due to higher adjustments to loans (+11 million euro).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 44 million euro, down 13.2% on the first half of 2011 due to the decline in all the main income components. Operating costs rose due to increase in personnel expenses and amortisation and depreciation. Net income came to 6.3 million euro, down by over 30% compared to the same period of the previous year.

The VUB Banka Group achieved an operating margin of 104 million euro, down 28.1% compared to the first six months of 2011, due to a decrease in operating income (-16.1%), attributable to the downturn in profits on trading. Net interest income and net fee and commission income were also down. Operating costs remained essentially stable, with a slight increase in personnel expenses offset by savings on other expenses. Net income, amounting to 50 million euro compared to 89 million euro in the first half of 2011, was also penalised by the increase in net adjustments to loans and greater provisions for risks and charges.

The CIB Bank Group showed operating income of 142 million euro, down 35% on the same period of 2011. This performance was attributable to the decreases in net interest income (-43.4%) and net fee and commission income (-20.1%), as well as the lower contribution from profits on trading (-26.2%). Operating costs decreased by 10.2% as a result of savings on all expense items. The increase in adjustments to loans was affected by the write-downs to the retail and small and medium enterprises portfolio. Net income was negative at 148 million euro, compared to a net loss of 42 million euro posted in the first half of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa, operating in Russia, closed the income statement for the first half of 2012 with net income of 16 million euro, compared to 7 million euro in the same period of 2011. Operating income rose (+4.7%) due to the increases in net interest income (+1%) and in net fee and commission income (+19.6%) in addition to profits on trading (+78.7%). Operating costs decreased by 3.6%, specifically due to administrative expenses. Net adjustments to loans of 6 million euro were down by over 60% compared to the same period of 2011, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank in the first half of 2012 was a positive 0.3 million euro (3.6 million euro in the same period of 2011) due to a decrease in operating income (-10.7%) across all main components. Operating costs were practically in line with the first half of 2011. After net adjustments to loans of 22 million euro (compared to 1.3 million euro in recoveries in the first six months of 2011), Pravex Bank closed the first half of 2012 with a net loss of 21 million euro, compared to net income of 2.5 million euro in the first half of the previous year.

Bank of Alexandria posted an operating margin of 77 million euro, up 31 million euro (+68.7%) compared to the same period of 2011. Operating income, amounting to 147 million euro, increased by 45 million euro, mainly due to increase in net interest income (+43 million euro). Operating costs reported growth (+24.1%), specifically attributable to personnel expenses as a result of rises linked to the renewal of the company labour agreement. After net adjustments to loans of 20 million euro, down 24.5% compared to the same period of the previous year, net income amounted to 39 million euro compared to 18 million euro generated in the same period of 2011.

Eurizon Capital

(millions of euro)

Income statement	30.06.2012	30.06.2011	Changes	
			amount	%
Net interest income	1	-	1	-
Dividends and profits (losses) on investments carried at equity	6	7	-1	-14.3
Net fee and commission income	118	127	-9	-7.1
Profits (Losses) on trading	1	1	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	3	1	2	
Operating income	**129**	**136**	**-7**	**-5.1**
Personnel expenses	-26	-27	-1	-3.7
Other administrative expenses	-31	-37	-6	-16.2
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-57**	**-64**	**-7**	**-10.9**
Operating margin	**72**	**72**	**-**	**-**
Net provisions for risks and charges	-2	-	2	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**70**	**72**	**-2**	**-2.8**
Taxes on income from continuing operations	-12	-16	-4	-25.0
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-19	-19	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-1	-	1	-
Net income (loss)	**38**	**37**	**1**	**2.7**

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Assets under management	133,797	130,497	3,300	2.5

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

Overall, total assets managed by Eurizon Capital as at the end of June 2012 stood at 133.8 billion euro (net of duplications), up 2.5% from the beginning of the year, due to the positive performance of the financial markets, which increased the value of assets under management by 4.7 billion euro. However, net outflows for the first six months of the year were 1.4 billion euro, due to outflows from Italian mutual funds and retail portfolio management schemes, only partly offset by net inflows achieved by Luxembourg funds and captive insurance products. Eurizon Capital's share of assets under management was 17% as at 30 June 2012 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio) in line with the figure at the end of December 2011.

Operating income for the first half of 2012, amounting to 129 million euro, was down 5.1% on the same period of 2011. Specifically, net fee and commission income decreased (-7.1%), due to lower average assets under management than the first half of 2011 and a higher proportion of captive insurance products with low profitability for Eurizon Capital compared to retail funds and portfolio management. The contribution of the subsidiary Penghua Fund Management Company Limited, consolidated at equity, also posted a decline. Operating costs fell significantly (-10.9%) thanks to cost containment measures. As a result of the above revenue and cost trends, the operating margin came to 72 million euro, in line with the figure for the first half of the previous year. Eurizon Capital closed the first half of 2012 with net income of 38 million euro, up slightly (+2.7%) compared to the first six months of 2011.

On a quarterly basis, the second quarter of 2012 showed an increase in income before tax from continuing operations of 11.9% compared to the first quarter, mainly due to the positive performance of operating income (+6.8%) and the reduction in operating costs (-4.8%).

Business	Asset management
Mission	To provide collective and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors
Organisational structure	
Eurizon Capital SGR	Specialised in asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers, to which it offers a wide range of specific investment products and services
Eurizon Capital SA (Luxembourg)	Specialised in managing Luxembourg mutual funds with low tracking error
Epsilon Associati SGR	Specialised in managing structured credit products and mutual funds using quantitative methods and 51% owned by Eurizon Capital and the remaining 49% by Banca IMI
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR

As regards Italian mutual funds, in the first quarter of 2012 the new offer period took place for the "Eurizon Strategia Protetta I Trimestre 2012", and, since the end of May, following the expiry of the "Eurizon Focus Garantito I Trimestre 2007", its name was changed to "Eurizon Strategia Protetta II Trimestre 2012" and its investment policy and classification was amended from "guaranteed" to "protected". In the last part of the half-year the placement period was initiated for the new "Gestione Attiva" (active management) range of mutual funds, aimed at optimising the return on the basis of a set level of risk and duration. The "Eurizon Liquidità" (money market fund) was converted into a fund specialised in investment in short-term bonds from Italian issuers by amending the investment policy primarily towards monetary and/or bond financial instruments issued by the Italian Government.
During the first six months of 2012 new products were also added to the range of Luxembourg registered funds. In particular within the "Investment Solutions by Epsilon" multi-segment fund new windows were opened in the "Forex Coupon" and "Cedola x 4" sub-fund families and since June the offering was expanded with the creation of "Cedola x 4 Indexed" and "Flexible Equity Coupon". The placement was initiated of new fixed-term bond products within the "Soluzioni Eurizon" multi-segment fund, offering retail customers the possibility of exposure to the Italian bond market ("Cedola Doc Italia") or diversifying in other geographical areas ("Cedola Doc"). Initiatives were also completed aimed at simplifying the range, mainly through measures implemented on the sub-funds of the "Eurizon EasyFund" and "Eurizon Stars Fund" (renamed "Epsilon Fund" at the end of June). Within the "Eurizon Investment SICAV", promoted by Eurizon Capital S.A., eleven new sub-funds were launched devoted solely to institutional investors. Lastly, during the half-year the range of Luxembourg registered products exposed to emerging markets was expanded, thereby leveraging specific expertise of specialist companies inside and outside the Group. These included two co-branding initiatives respectively with the Brazilian group Itaù (Eurizon MM Collection Fund – Itaù Equity Brazil Domestic Dynamics) and the Chinese group Guosen (Eurizon MM Collection Fund – Guosen RMB Fixed Income) and a partnership with the asset management companies of the Intesa Sanpaolo Group located in Eastern Europe (Eurizon EasyFund – Equity Eastern Europe). Lastly, the range was completed with the launch of a Luxembourg registered product specialised in the new emerging markets (Eurizon EasyFund – Equity Emerging Markets New Frontiers LTE).

Banca Fideuram

(millions of euro)

Income statement	30.06.2012	30.06.2011	Changes	
			amount	%
Net interest income	74	65	9	13.8
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	274	287	-13	-4.5
Profits (Losses) on trading	-3	4	-7	
Income from insurance business	52	54	-2	-3.7
Other operating income (expenses)	-	-	-	-
Operating income	**397**	**410**	**-13**	**-3.2**
Personnel expenses	-70	-77	-7	-9.1
Other administrative expenses	-92	-96	-4	-4.2
Adjustments to property, equipment and intangible assets	-7	-7	-	-
Operating costs	**-169**	**-180**	**-11**	**-6.1**
Operating margin	**228**	**230**	**-2**	**-0.9**
Net provisions for risks and charges	-33	-22	11	50.0
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-16	-7	9	
Profits (Losses) on investments held to maturity and on other investments	-	7	-7	
Income (Loss) before tax from continuing operations	**179**	**208**	**-29**	**-13.9**
Taxes on income from continuing operations	-70	-57	13	22.8
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-44	-47	-3	-6.4
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	**65**	**105**	**-40**	**-38.1**

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Assets under management	54,073	51,977	2,096	4.0
Direct deposits from banking business	6,510	6,367	143	2.2
Direct deposits from insurance business and technical reserves	11,620	9,661	1,959	20.3

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

The scope of the Business Unit includes Banca Sara's results, following the acquisition of total control from Sara Assicurazioni, but does not include Fideuram Bank (Suisse), as a result of the sale of the investment to Banca Credinvest. Both transactions were completed in June 2011. The figures shown in the table and commented on below were reconstructed on a like-for-like basis, adjusting historical figures as appropriate to reflect the effects of these transactions retroactively.

Assets under management of the Banca Fideuram Group at the end of June 2012 amounted to 73.7 billion euro (of which 54.1 billion euro in assets under management and 19.6 billion euro in assets under administration), up 3.9% since the beginning of the year. This trend is attributable to the strong performance of the asset market and, in part, to net inflows for the period. In detail, assets under management, which represent almost three quarters of the aggregate, were up 4%, thanks to the positive trend in life insurance and mutual funds. Assets under administration also posted an increase compared to the volume as at 31 December 2011 (+3.4%). In the first half of 2012 net inflows of assets under management, amounting to 701 million euro, decreased by 207 million euro compared to the inflows generated in the same period of 2011. The breakdown of the aggregate shows a positive balance for assets under management of 462 million euro, down 77 million euro compared to the first half of the previous year. Assets under administration showed a positive balance of 239 million euro, compared to 369 million euro in the same period of 2011.
Direct deposits from banking business amounted to 6,510 million euro, up 2.2% from the beginning of the year, as a result of the increase in amounts due to ordinary and institutional customers.
Direct deposits from insurance business, amounting to 11,620 million euro, increased significantly (+20.3%), entirely attributable to the trend in financial liabilities of the insurance segment designated at fair value.
The number of private bankers rose from 4,850 at the end of 2011 to 4,980 as at 30 June 2012.

The operating margin for the first half of 2012 stood at 228 million euro, down slightly (-0.9%) compared to the same period of the previous year, due to the fall in operating income (-3.2%) only partially offset by the reduction in operating costs (-6.1%).
The revenue performance was essentially attributable to the reduction in net fee and commission income (-13 million euro) and profits on trading (-7 million euro) only partially offset by the increase in net interest income (+9 million euro). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, declined compared to the first six months of 2011 owing to the decrease in average assets under management. However, in the second quarter there was an improvement in recurring fee and commission income compared to the first quarter. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents 8% of net fee and commission income, decreased due to the effect of reduced placement of mutual funds and bonds, only partly offset by the positive results achieved in the placement of insurance products. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported a slight increase due to greater incentives paid and allocated to the network of private bankers, as well as higher commercial incentives for customers. There was a loss on trading of 3 million euro (compared to a profit of 4 million euro in the first half of the previous year) in relation to the disposal of certain positions in the bank's bond portfolio. In contrast the interest margin showed strong performance (+13.8%) largely attributable to the higher profitability of new investments, achieved through a change in asset allocation and realised without increasing the overall risk profile of the portfolio, and, to a lesser extent, to the expansion of lending to customers. Decreases were also seen in other income items including income from the insurance business, attributable to the company Fideuram Vita, which came to 52 million euro. Income before tax from continuing operations amounted to 179 million euro, down 13.9%, due to higher provisions for risks and charges (+50%) as a result of higher contractual indemnities to private bankers and oversight of new disputes that arose during the period, of greater impairment losses on other assets, almost double compared to the first half of 2011, and of the absence of profits on investments held to maturity and on other investments, which in the first half of 2011 included the gain realised on the disposal of Fideuram Bank (Suisse).
Lastly, following the attribution of the effects of purchase price allocation on the income statement (44 million euro), Banca Fideuram closed the first half of 2012 with net income of 65 million euro (-38.1%).

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 4,980 private bankers

Development of new products in the first half of 2012 was aimed at enhancing the offering in line with the background environment and the specific needs of customers, by leveraging the Group’s internal expertise, on one hand, and consolidating partnerships with third-party asset managers, on the other hand. This activity involved both the asset management and the banking segments.

With regard to the Bank's funds, initiatives covered the entire range of Luxembourg registered funds with new solutions in the fixed income segment, developed in partnership with internationally recognised asset management companies. New income distribution classes were also created for Fonditalia.
Within the scope of Fideuram Multibrand (third-party funds distributed à la carte), the placement was initiated of the SICAV Global Investors Series plc (GIS) of PIMCO (Pacific Investment Management Company LLC). The ongoing development of the existing range also continued, primarily consisting of the addition of new sub-funds to existing UCIs and new classes to those already placed, as well as the launch of new investment plans for the Black Rock, Invesco, JP Morgan, Morgan Stanley and Pictet funds to add to the those already present in the Franklin Templeton and Parvest funds.
With regard to asset management, to bring the current range closer into line with the current market environment two new investment lines were introduced in the uniform management contract “Fideuram Omnia” within the emerging country bond markets (Idea Obbligazionaria Paesi Emergenti) and the alternative investment strategies (Idea Decorrelazione).
As to insurance the offering was further enhanced with the introduction of a new guaranteed product “Fideuram Vita Garanzia e Valore Plus” and the expansion of the investment opportunities and options offered by the unit linked fund “Fideuram Vita Insieme”.
With regard to initiatives for assets under administration, Banca Fideuram participated in numerous issues implemented by the Intesa Sanpaolo Group. In detail, six placements were made on the primary market through fixed-rate senior bonds with a duration of two years. The bank also participated in the placement of the two BTP Italia issues launched by the Ministry for the Economy and Finance both through the traditional channel and through Fideuram Online.

As regards the offering of banking products, the in first half of 2012 initiatives continued aimed at promoting the use of banking services and the acquisition of new customers.
The new for-pay personalised advanced advisory service, known as Sei, introduced in 2009 alongside the basic advisory service, has been subscribed by around 33,000 customers in its 3 years of operation (+10% in the first half of 2012) with assets of over 12 billion euro and around 2,800 active private bankers.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated operating income of 45 million euro in the first half of 2012, compared to a loss of 55 million euro for the corresponding period of the previous year. This improvement was mainly the result of profits on trading, which benefited from the buyback of subordinated notes that generated income of 274 million euro. Income before tax from continuing operations amounted to -364 million euro (-245 million euro in the first six months of 2011) mainly as a result of the recognition of adjustments to loans related to the worsening of the economic situation and due to the absence of the capital gains realised in first six months of 2011 (sale of CR La Spezia and other branches to Crédit Agricole). Net income amounted to a loss of 293 million euro, compared to a loss of 189 million euro posted in the same period of the previous year.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the first half of 2012 Intesa Sanpaolo maintained its Target2 market share in Italy and Europe. The Bank's key role in the payments area was again confirmed by the request made by the Bank of Italy to the ECB for the status as "critical participant" in the system. In the area of Target2-Securities, the new Eurosystem platform securities settlement which will be launched in June 2015, Intesa Sanpaolo is launching an internal implementation project in which it will be a leading player in the first migration window along with the Italian banking system. Lastly, in relation to the elimination of settlement risk in foreign exchange transactions, Fideuram Bank Luxembourg has been included as one of the banks intermediated by Intesa Sanpaolo within the Continuous Linked Settlement (CLS) system.

The money market was characterised in the first half of the year by the unconventional monetary policy actions of the ECB (with two extraordinary three-year refinancing auctions for a total amount of over a trillion euro) and by the resulting strong market recovery, whereas the second quarter of the year saw renewed periods of strain, due both to the worsening situation in Spain and the continued political instability in post-election Greece. The risk of contagion to Italy brought the BTP/Bund spread at the end of June close to record highs, just below the level of 500 basis points. In this environment of renewed risk aversion, the Bank strengthened its capacity for funding in the traditional short-term securities markets, despite further downgrades of ISP's rating by Moody's in May. Overall there was no deterioration in funding, only a reduction in its duration. The increase in excess liquidity in the system, through the injections of liquidity by the ECB, failed to specifically boost the interbank market, where exchanges remained largely confined to overnight trades. At the end of June, despite its participation in both 3-year financing auctions, Intesa Sanpaolo's debt with the ECB, substituting both the lower securities and interbank funding lost in the summer of 2011, stood at the same levels as the end of 2011 and the end of March 2012 (36 billion euro).

For the securities portfolio, the first half of the year was marked by the high volatility of returns and the spread of Italian government bonds against the Bund. In this context, the Bank continued to buy short-term Italian government paper (maximum 3 years), with a substantial increase in the existing banking book. The lower activity in the primary market due to the lower funding needs of European banks reduced investment opportunities in the covered securities segment.
Measures implemented on the secondary market were aimed, on one hand, at reducing the risk profile through the sale of securities (in the first part of the year, of Italian covered bonds with 5-7 year maturity and, in the second part, of Spanish issuers) and, on the other hand, greater diversification with an increase in the exposure to English issuers. In the corporate segment the portfolio was increased slightly to exploit the moderate widening of credit spreads.

Operating ACM and Structured Operations

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structure under the supervision of the Risk Management Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. Despite the sharp drop in short-term interest rates over the last few months, the reduction in mark-down on demand deposits was significantly offset by the decisions made to protect the interest margin, benefiting the business units. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at the Group level. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

Funding

Medium-/long-term funding transactions were affected by the general situation described above. The Group has continued to adopt a more cautious funding policy on both the domestic and international markets due to the ongoing strains in relation to European sovereign risk, the lowering of the Republic of Italy's rating and the downgrade of the Italian banking system with resulting high costs of international funding.
In the domestic market, the total issues of Group securities placed in the first half of 2012 through its own and third-party networks amounted to 9.2 billion euro, 77% of which through plain vanilla securities and the remaining 23% through structured

bonds (mainly structured interest rate securities). A breakdown by average maturity shows a concentration of 2-year maturities (with a weight of 56%), whilst 25% is represented by 3- and 4-year securities and 19% by 5- and 6-year bonds.

In the first half of the year, approximately 3.2 billion euro of unsecured funding transactions were completed in the form of senior bond issues on the Euromarket. A transaction was arranged for the repurchase of 3 subordinated notes (innovative and non-innovative Tier 1 capital instruments) issued by Intesa Sanpaolo with a total percentage subscription of 32.7%. In recent months access to international capital markets has been particularly cautious and selective due to the intensification of strains in the markets.
In view of the recent downgrades of both Italy and Intesa Sanpaolo, the Group has initiated a rationalisation of its securitisations.
In structured funding, in June the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. The programme, aimed at retained issues, does not have a rating. The inaugural issues, for a total of 11.75 billion euro, are at floating rate with an approximate 2 year duration, listed on the Luxembourg Stock Exchange and eligible for transactions on the Eurosystem. The programme is collateralised by mortgages granted by Intesa Sanpaolo, as well as by mortgages granted by Banco di Napoli, primarily originating from the dismantling of the Adriano Finance 2 RMBS.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2012	7,120	1,491	333	8,944
30.06.2011	6,747	1,679	294	8,720
% change [(a)]	5.5	-11.2	13.3	2.6
Loans to customers				
30.06.2012	324,942	39,664	10,347	374,953
31.12.2011	325,929	41,156	9,659	376,744
% change [(b)]	-0.3	-3.6	7.1	-0.5
Direct deposits from banking business				
30.06.2012	318,233	43,660	6,947	368,840
31.12.2011	310,909	41,270	7,812	359,991
% change [(b)]	2.4	5.8	-11.1	2.5

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

[(a)] The change expresses the ratio between 30.06.2012 and 30.06.2011.

[(b)] The change expresses the ratio between 30.06.2012 and 31.12.2011.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 80% of revenues, 87% of loans to customers and 86% of direct deposits from banking business. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in the first half of 2012, there was an increase in overall bank funding volumes in Italy and the other European countries, while loans to customers, which were substantially stable overall, showed improvement in the Rest of the World.

Risk management

BASIC PRINCIPLES

Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Supervisory Board and Management Board with support from specific Committees, particularly the Control Committee and the Lending and Risks Commission, and with the aid of the Group Risk Governance Committee and the Chief Risk Officer, who reports directly to the Chief Executive Officer.
The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.
The risk measurement and management tools contribute to define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.
The credit risk situation differs by portfolio:

– for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective reporting as at 31 December 2011). The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010.
  With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasing and Mediofactoring (the FIRB approach had been in use since December 2008);
– for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective June 2010, extended to the former Casse del Centro network banks effective the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012;
– an application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the second half of 2012.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.
In April 2012 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:

– achieving the goal of sustainable growth consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
– diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
– efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;

– given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
– constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with respect to loans to customers, risk is measured using internal rating models which change according to the counterparty's operating segment.

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a predetermined control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Within the Group, in accordance with preset rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and included in a unique operational category based on their risk profile. In accordance with the Supervisory Authority instructions, they are classified in the following categories: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.
With specific reference to "non-performing" past due positions, from 2012 and with effect from the first indications provided by the Supervisory Authority, later adopted in prudential regulations, for identification of these positions the Group applies the 90-day limit to all regulatory portfolios, regardless of the respective exposure classes and related credit risk measurement approaches.

(millions of euro)

	30.06.2012			31.12.2011			Changes
	Gross exposure	**Total adjustments**	**Net exposure**	**Gross exposure**	**Total adjustments**	**Net exposure**	**Net exposure**
Doubtful loans	25,462	-15,862	9,600	24,961	-15,963	8,998	602
Substandard loans	13,132	-2,672	10,460	11,486	-2,360	9,126	1,334
Restructured loans	3,982	-663	3,319	4,032	-607	3,425	-106
Past due loans	3,005	-282	2,723	1,319	-172	1,147	1,576
Non-performing loans	**45,581**	**-19,479**	**26,102**	**41,798**	**-19,102**	**22,696**	**3,406**
Performing loans	333,879	-2,647	331,232	338,467	-2,705	335,762	-4,530
Performing loans represented by securities	18,020	-401	17,619	19,220	-934	18,286	-667
Loans to customers	**397,480**	**-22,527**	**374,953**	**399,485**	**-22,741**	**376,744**	**-1,791**

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

The table above shows an increase in the first half of 2012 of non-performing loans, net of adjustments, by 3,406 million euro (+15%) compared to the end of the prior year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 6% to 7%. Coverage of non-performing loans came to approximately 42.7%, lower than the level at the end of 2011 (45.7%), but nevertheless deemed adequate to account for expected losses, also considering the guarantees securing the positions. The reduction in the percentage coverage, as described in more detail below, is related to both the sale without recourse in the first quarter of a doubtful loan portfolio, which had a high risk provision, and the inclusion under non-performing loans of positions past due by over 90 to 180 days, which have a low level of risk.
In particular, as at 30 June 2012, doubtful loans net of adjustments, reached 9.6 billion euro, up 6.7% since the beginning of the year. The level of doubtful loans was influenced by a sale without recourse for a net amount of approximately 270 million euro (1,640 million euro gross value). The impact on total loans was 2.6% and the coverage ratio reached 62.3%.
Compared to 31 December 2011, substandard loans increased 14.6% to 10,460 million euro. Substandard loans as a proportion of total loans to customers increased from 2.4% to 2.8% in the first six months of the year, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 20.3%, essentially in line with the figure at the end of the prior year.
Restructured loans stood at 3,319 million euro, down slightly compared to the beginning of the year (-3.1%), with a coverage ratio of 16.6% up around 15% compared to the prior year. Past due loans increased 1,576 million euro to 2,723 million euro from 1,147 million euro for the prior year. The sharp increase was essentially attributable to the change in regulations that, as already reported above, require exposures past due by more than 90 days to be classified under non-performing loans with effect from 1 January 2012. Previously the limit was 180 days, for Italian counterparties and for certain regulatory portfolios. As a consequence, the percentage of this type of non-performing loans increased to 0.7% from 0.3% at the end of December. The coverage ratio fell to 9.4% from the previous 13%, due to the lower risk on loans past due less than 180, which were not included under non-performing loans at the end of the prior year.
Performing exposures decreased slightly, from 336 billion euro in the prior year to 331 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is essentially unchanged compared to the figure recorded at the end of 2011.

MARKET RISKS

TRADING BOOK

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 3% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.

In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The requirement for stressed VaR is included when determining capital absorption effective 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel II market risk framework":

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the document, the period relevant to the measurement of stressed VaR had been set as:

- 1 April 2008 to 31 March 2009 for Banca IMI;
- 1 July 2008 to 30 June 2009 for Intesa Sanpaolo.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).

VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period. The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

In the second quarter of 2012, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the first quarter of 2012. The average VaR for the period totalled 79.9 million euro.

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI[(a)]

(millions of euro)

	2012				2011			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	24,6	23,1	27,5	24,1	25,0	21,4	15,3	18,7
Banca IMI	55,3	47,2	73,7	72,9	70,6	45,3	21,1	17,4
Total	**79,9**	**71,0**	**99,7**	**97,0**	**95,6**	**66,7**	**36,4**	**36,1**

(a) Each line in the table sets out past estimates of daily VaR calculated on the quartely historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

During the first six months of 2012, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the values for 2011.

(millions of euro)

	2012			2011		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	24,4	23,1	27,5	17,0	14,0	21,5
Banca IMI	64,1	47,2	92,1	19,3	13,6	27,5
Total	**88,5**	**71,0**	**115,4**	**36,3**	**30,7**	**42,4**

(a) Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first six months of the year respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

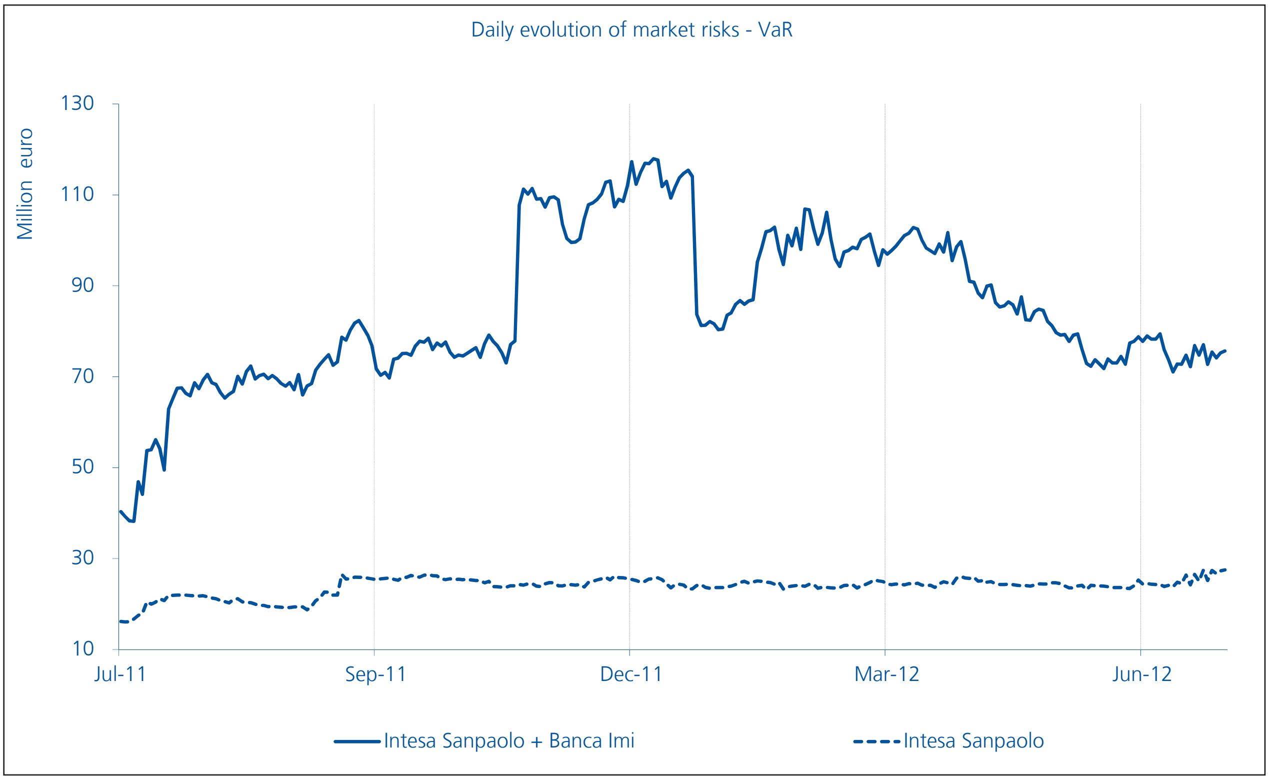
For Intesa Sanpaolo the breakdown of risk profile in the second quarter of 2012 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 42% of total VaR; for Banca IMI credit spread risk was the most significant, representing 68% of total VaR.

Contribution of risk factors to overall VaR (a)

2nd quarter 2012	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	4%	42%	18%	28%	3%	5%	0%
Banca IMI	4%	0%	19%	68%	1%	4%	4%
Total	**4%**	**13%**	**19%**	**55%**	**2%**	**4%**	**3%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2012, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is set out below. During the second quarter of 2012 VaR a downward trend is recorded as a result of the rolling effect of the scenarios and to a decrease in the Italian government bonds trading component. The risk measurements regarding Intesa Sanpaolo remained constant.



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised as follows:

– on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 1 million euro gain; the opposite scenario would have led to a flat result;

- on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 2 million euro loss, whereas a parallel -25 basis point shift would have led to a 6 million euro gain;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 71 million euro loss, 3 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 76 million euro gain, 3 million euro of which due to SCPs;
- on foreign exchange exposures, the portfolio would have recorded a 7 million euro loss if the Euro were to appreciate against the US dollar (+10%);
- lastly, on commodity exposures an 8 million euro loss would have been recorded in the event of a 50% decrease in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	1	0	6	-2	76	-71	8	-7	-8	8
of which SCP					*3*	*-3*				

Backtesting

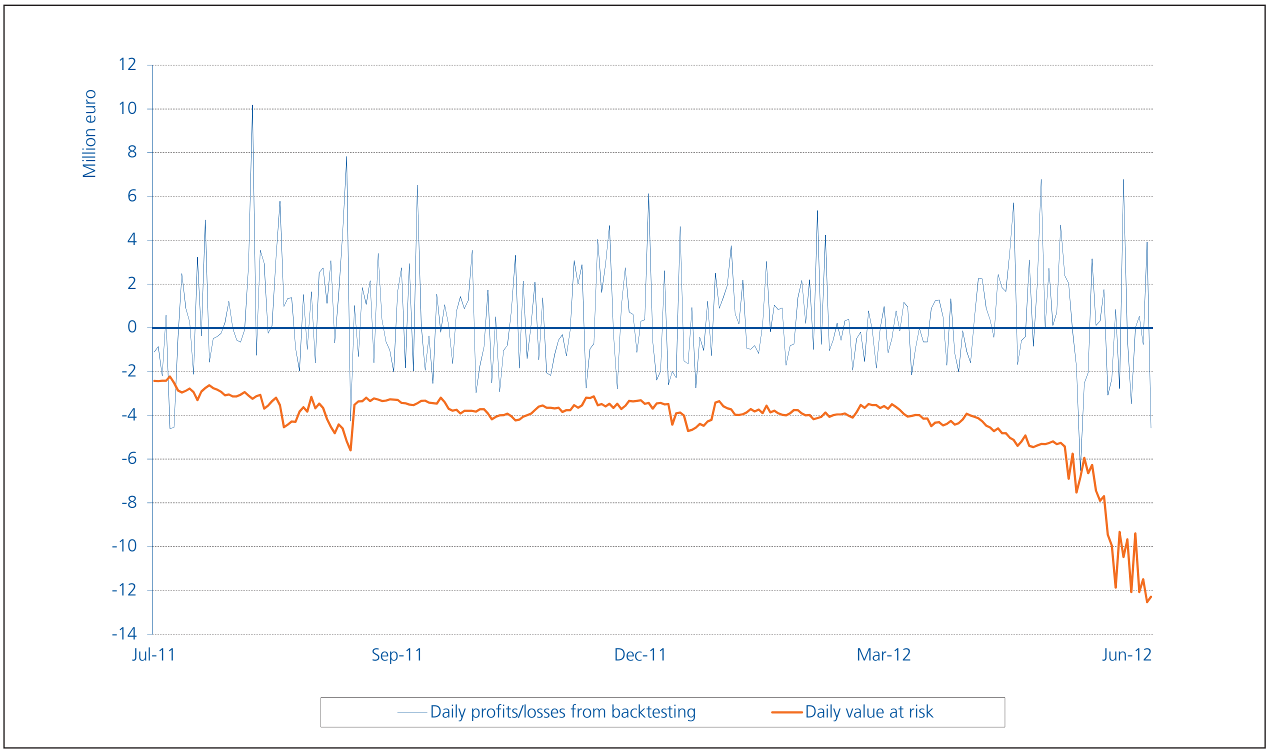
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

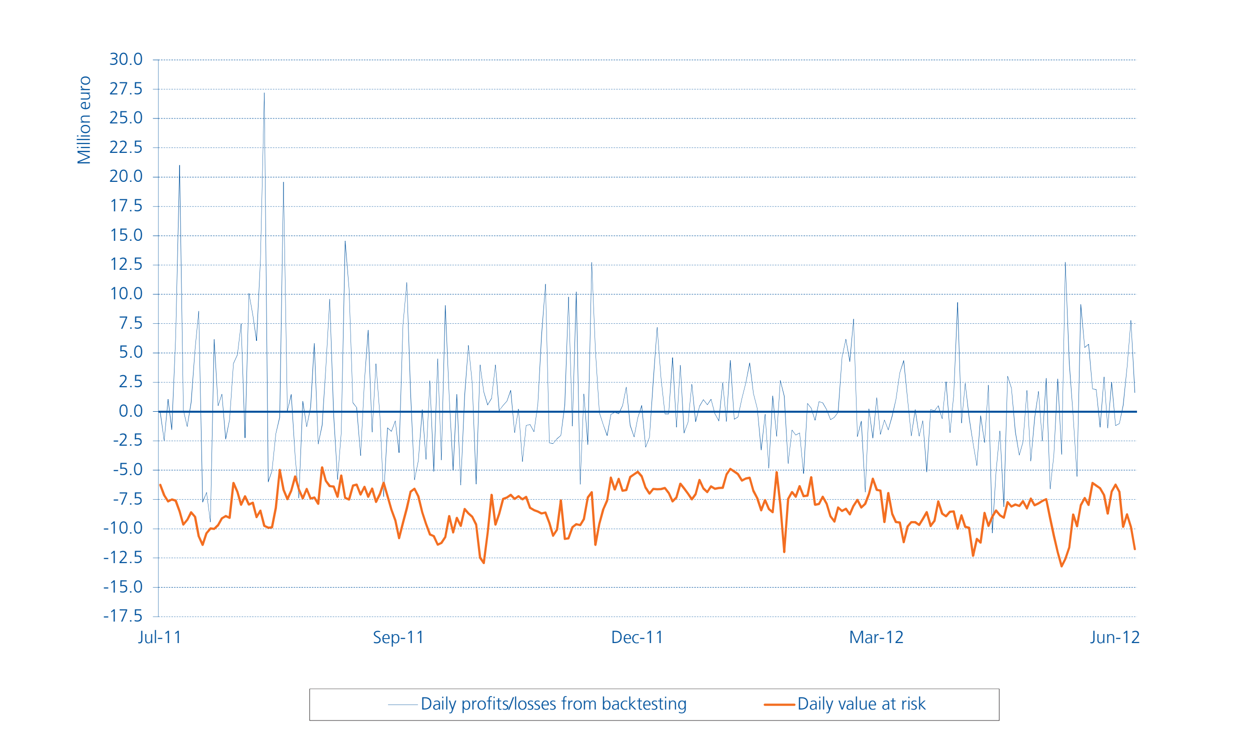
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo backtesting exceptions refer to the actual P&L data shown in the following chart. The two excesses in July 2011 are attributable to the sovereign debt crisis that has affected Italian government issues, resulting in high volatility in government bond spreads. It should be emphasised that the VaR subject to the internal model for Intesa Sanpaolo (reduced perimeter of factors compared to VaR) is concentrated on the interest rate risk factor.



Backtesting in Banca IMI

Banca IMI three backtesting exceptions refer to the theoretical P&L data shown in the following chart. The first of these backtesting exceptions can be associated with the sovereign debt crisis. The more recent exceptions refer to changes in interbank rates. Unlike Intesa Sanpaolo, Banca IMI shows validated risk factors with greater diversification (interest rate risk and equity risk).



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
– Value at Risk (VaR);
– Sensitivity Analysis.
Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits.
Furthermore, interest margin sensitivity is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of 100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges). In other cases, micro cash flow hedges are applied to specific assets or liabilities (micro cash flow hedge).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first six months of 2012, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 401 million euro settling at 405 million euro at the end of June, almost entirely concentrated on the euro currency; this figure compares with 482 million euro at the end of 2011.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 293 million euro at the end of June 2012 (240 million euro at the end of 2011).
Interest rate risk, measured in terms of VaR, averaged 114 million euro during the first six months of 2012 (139 million euro at the end of 2011), with a maximum value of 130 million euro and a minimum value of 93 million euro. At the end of June 2012 VaR totalled 115 million euro. Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 91 million euro in the first six months of 2012 (102 million euro at the end of 2011), with a maximum value of 101 million euro and a minimum of 68 million euro. The VaR at the end of June 2012 amounted to 80 million euro.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows a sensitivity to a 10% negative shock equal to -50 million euro at the end of June 2012.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to procure funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
Preparing an adequate management and monitoring system for this risk is of fundamental importance in maintaining stability, not only at the level of each individual bank, but also of the market at large, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies in 2011, in addition to the significant changes adopted by the Group relating to the management and monitoring of liquidity risk introduced in the "New regulations for the prudential supervision of banks and banking groups" – Circular 263 of 27 December 2006 (4th update of 13 December 2010), describe the tasks of the various company departments, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:
– the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;

– the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
– the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
– the adoption of a fund internal transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of warning indicators used to activate emergency plans.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of liquid securities on private markets and securities eligible for refinancing with Central Banks. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).
The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and 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.
The Guidelines also call for the periodic preparation of an impact estimate in an acute combined stress scenario (including both stresses specific to the Group and at the level of the market) and the introduction of a target threshold for the stressed short-term gap, aimed at establishing an overall level of reserves suitable to meeting greater cash outflows during a period of time adequate to take the required operating measures to restore the Group to balanced conditions.
The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations 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 indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Department.

In the first half of 2012, the Group's liquidity position remained within the risk limits established in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.
In the first half, the extensive liquidity reserves available to the Group allowed the continued use of secured funding in response to the difficulties in the orderly functioning of the interbank market. As at 30 June 2012, the liquidity reserves eligible with the various Central Banks came to 111 billion euro, of which 50 billion euro was available spot (net of the haircut) and remained unused.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory Authorities, the following information is provided on the fair value measurement methods adopted, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and transactions in derivatives with customers.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are unchanged with respect to those adopted for the previous year financial statements, details of which can be found in the Annual Report 2011.

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

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

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

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

– reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (Comparable Approach);
– valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the valuator (Mark-to-Model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Comparable Approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

– identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
– certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
– certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
– monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

The Fair Value Policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models using price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:

– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
– valuation difficulties due to the lack of liquid and observable market parameters.

For additional details on the Fair Value Policy and the fair value measurement criteria see the disclosure provided in the 2011 Annual Report.

Fair value hierarchy

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value hierarchy levels.

(millions of euro)

Financial assets / liabilities at fair value	30.06.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	11,983	53,109	988	10,525	48,076	1,362
2. Financial assets designated at fair value through profit or loss	31,043	6,444	355	27,727	6,335	191
3. Financial assets available for sale	80,853	5,233	2,322	61,878	4,920	1,979
4. Hedging derivatives	-	11,705	3	-	10,247	1
Total	**123,879**	**76,491**	**3,668**	**100,130**	**69,578**	**3,533**
1. Financial liabilities held for trading	4,026	49,985	910	4,250	43,534	956
2. Financial liabilities designated at fair value through profit or loss	-	24,854	-	-	22,653	-
3. Hedging derivatives	-	9,851	-	-	8,567	9
Total	**4,026**	**84,690**	**910**	**4,250**	**74,754**	**965**

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

As shown in the above table, level 3 instruments, which have more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio. Conversely, approximately 61% of the financial assets measured at fair value are determined based on market prices and therefore without any discretion by the valuator.

The sensitivity analysis of level 3 financial assets and liabilities shows a 22 million euro[1] decrease in fair value, relating to complex credit derivatives, when the following parameters change:

- risk-neutral probability of default derived from market spreads (10%);
- recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
- correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
- expected residual life of the contract (one-year increase over the expected term).

[1] This amount is shown net of adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments.

STRUCTURED CREDIT PRODUCTS

During the first six months of 2012 the portfolio management strategy continued to focus on gradually reducing exposure. In particular, it should be noted the Group's withdrawal both from risk positions classified as part of the trading book and from those classified as part of the loan portfolio.

In the first half of 2012 the contribution to profit/loss, despite the slight decrease, was an overall profit of 24 million euro, compared to 55 million euro as at 31 December 2011 and 37 million euro for the first half of 2011.

The risk exposure to structured credit products amounted to 2,284 million euro as at 30 June 2012 with respect to funded and unfunded ABSs/CDOs, compared to 2,772 million euro as at 31 December 2011, in addition to an exposure of 30 million euro with respect to structured packages (41 million euro as at 31 December 2011). The decrease in exposure during the first half of 2012 was related to the termination of a number of unfunded structures included among subprime exposures, the "Contagion Area" and "Other structured credit products – unfunded Super Senior CDOs". Added to this was the strong decline both in the exposure to securities classified under the Parent Company portfolio, down by approximately 160 million euro, and in the exposure to Banca IMI trading securities which decreased by around 180 million euro.

As at 30 June 2012 the creditworthiness of around 29.3% of outstanding positions was downgraded, the trend in this phenomenon being slower in the second half of 2012 (+3.5% compared to the previous quarter).

The situation of the structured credit product portfolio at the end of the first six months of 2012 is described by the following indicators:

– 65% of exposure was Investment Grade, lower than the figure as at 31 December 2011 (70%);
– 17% had an AAA rating and 31% had an AA rating;
– 35% had a BBB rating or less, compared to 30% as at 31 December 2011;
– approximately 10% of the exposure has a pre-2005 vintage[2];
– 36% has a 2005 vintage;
– only 10% of exposure related to the US Residential segment, and 70% to the European segment.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (23%) and CDOs (24%); the rest was almost entirely made up of ABSs (11%) and RMBSs (35%), with CMBSs representing 8% of the total.

As concerns valuation methods, of "long" positions approximately 46% are measured using the mark-to-model (100% of unfunded positions, 36% of funded positions, 100% of positions in funds, 100% of the monoline risk and the non-monoline packages), 47% with the Comparable Approach (56% of funded positions) and 7% are measured using Effective Market Quotes (8% of funded positions). "Short" positions, made up entirely of CMBX and CDS hedges, are all measured using Effective Market Quotes.

In the summary tables provided below, table (a) sets out risk exposure as at 30 June 2012 and income statement captions (sum of realised charges and profits, write-downs and write-backs) in the first half of 2012, compared with the corresponding values recorded as at 31 December 2011.

Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.

Values expressed in USD as at 31 December 2011 were translated at an exchange rate of 1.2939 euro per dollar, and as at 30 June 2012 at an exchange rate of 1.2950 euro per dollar.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	**30.06.2012**		**31.12.2011**	
	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	**9**	**-3**	**28**	**8**
Contagion area	**116**	**-4**	**162**	**24**
- Multisector CDOs	39	-4	87	11
- Alt-A	-	-	-	-
- TruPS	77	-	75	13
- Prime CMOs	-	-	-	-
Other structured credit products	**586**	**26**	**769**	**12**
- European/US ABS/CDOs	439	19	625	1
- Unfunded super senior CDOs	147	10	155	4
- Other unfunded positions	-	-3	-11	7
Total	**711**	**19**	**959**	**44**
in addition to:				
Positions of funds	-	9	-	-5
Total Financial assets held for trading	**711**	**28**	**959**	**39**

[2] 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.

(millions of euro)

Loans	30.06.2012		31.12.2011	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**3**	**-**	**3**	**-**
Contagion area	**55**	**-**	**63**	**-1**
- Multisector CDOs	9	-	9	-1
- Alt-A	31	-	36	-
- TruPS	-	-	-	-
- Prime CMOs	15	-	18	-
Other structured credit products	**1,515**	**-1**	**1,747**	**7**
- Funded European/US ABS/CDOs	1,116	-4	1,280	-9
- Funded super senior CDOs	399	3	467	16
- Other Romulus funded securities	-	-	-	-
Total	**1,573**	**-1**	**1,813**	**6**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,573**	**-1**	**1,813**	**6**
TOTAL	**2,284**	**27**	**2,772**	**45**

(*) 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 its 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)

	30.06.2012		31.12.2011	
	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	21	-3	25	9
Non monoline packages	9	-	16	1
TOTAL	**30**	**-3**	**41**	**10**

From an income statement perspective, structured credit products generated a net income of 24 million euro as at 30 June 2012 compared to + 55 million euro for 2011.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 28 million euro. The profit on this segment was a result of the effects of:
– unfunded Super Senior CDO positions included in "Other structured credit products" (+10 million euro as at 30 June 2012); the good performance compared to the end of 2011 (+6 million euro) is attributable to a structure in which the risk profile has improved considerably as maturity draws near;
– European and US funded ABSs/CDOs (+19 million euro) mainly attributable to profits achieved by the subsidiary Banca IMI (+15 million euro) from partial disposal of the trading book;
– other unfunded positions (-3 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (-3 million euro), mainly attributable to funded positions included in the segment;
– instruments included in the "Contagion Area"; in detail, only the Multisector CDOs recorded a negative result of 4 million euro, offset by the positive contribution (+9 million euro) from the positions in related funds. Of these, 7 million euro referred to profits achieved as a result of the market sale of fund units included in the segment.

The securities reclassified to the loan portfolio had a negative overall impact on the income statement, as at 30 June 2012, of 1 million euro, of which +5 million euro in gains from the disposal of positions and -6 million representing impairment losses on securities issued by SPEs resident in Spain.
As at 30 June 2012 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as "PIGS"). In particular, these consist of:
– 208 million euro in nominal value of securities issued by parties resident in Spain; as at 30 June 2012 these securities had a book value of 166 million euro and a fair value of 115 million euro;

– 36 million euro in nominal value of securities issued by parties resident in Portugal; as at 30 June 2012 these securities had a book value of 32 million euro and a fair value of 18 million euro;
– 8 million euro in nominal value of securities issued by parties resident in Greece; as at 30 June 2012 these securities had a book value of 6 million euro and a fair value of 2 million euro;
– 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 30 June 2012 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The "Monoline risk" and "Non-monoline packages" made a negative contribution of 3 million euro as at 30 June 2012, down compared to the +10 million euro recorded at the end of 2011. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.
It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 30 June 2012, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Fair value as at 30.06.2012	Benefit from the reclassification as at 30.06.2012	Effect on Shareholders' Equity
Reclassified securities:					
- from financial assets available for sale to loans	170	139	54		85
- from financial assets held for trading to loans	1,312	1,220	1,019	201	
Total Securities reclassified to loans	**1,482**	**1,359**	**1,073**	**201**	**85**
Securities classified under loans on initial recognition	217	214			
Total securities classified under loans on initial recogni	**217**	**214**			
TOTAL LOANS	**1,699**	**1,573**	**1,073**	**201**	**85**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Negative economic effect without reclassification for 2011	-25
Positive economic effect without reclassification for 1st half 2012	13
BENEFIT FROM THE RECLASSIFICATION AS AT 30.06.2012	**-201**

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,182 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 30 June 2012, there were no signs of impairment of the collateral of the structured products in question.

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 (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CBs), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above. There have not been any changes in the consolidation criteria compared to those reported in the 2011 financial statements.

Funding SPEs

These are entities established abroad to raise funds on specific markets. The SPEs issue financial instruments, guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company. The change in Italian law which enables the Parent Company Intesa Sanpaolo to directly issue hybrid notes eliminated the funding activities carried out through these methods.
There were no significant changes in the investments in this type of SPE compared to 31 December 2011.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies. The latter retain the majority of the risks and rewards of the companies in question and, as a consequence, are consolidated pursuant to IAS 27/SIC 12.
Compared to 31 December 2011, note the considerable increase in net total assets recorded in the first half of 2012, increasing from 16 billion euro at the end of the year to 24 billion euro as at the end of June 2012 (of which around 7 billion euro relative to funds managed by Fideuram Gestions). The effect is attributable both to the increase in the funds' investments and to the increased percentage of Group companies' investments in these funds.

Securitisation SPEs

These are SPEs that enable an entity to transfer assets from its balance sheet assets, transforming them in securities which can be placed on the market. The crisis which began in 2007 caused a sharp slowdown in this type of transactions, which were replaced by structures used for raising funds through securitisations of a portion of assets owned by the transferor. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market (traditional securitisations) or purchased in full by the issuer (self-securitisations). In the first case, the funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold. This category also includes SPEs used by Intesa Sanpaolo to implement the covered bond issue programme.
SPEs of this type, which were included in the scope of consolidation as at 30 June 2012, are the same as those reported in the financial statements as at 31 December 2011. The securitised assets of vehicles in this category are represented by performing mortgages, non-performing mortgages and lease-related performing mortgages. For the Augusto, Colombo and Diocleziano vehicles the assets were made up of land financing or receivables for public works.
During the first half of 2012, Intesa Sanpaolo repurchased the class A of the Adriano Finance (series 1) securitisation from the vehicle ISP CB Ipotecario for 4.3 billion euro. As a consequence, to compensate for the reduction in the cover pool resulting from this repurchase and in consideration of the overcollateralisation and the requirement for compliance with the tests established under the programme secured by mortgages, certain covered bond series were terminated ahead of maturity that were originally purchased under the programme, for a total amount of 5.6 billion euro.
In February all the covered bond issues under the programme were downgraded by Moody's (from Aa1 to Aa2) because, after Italy's downgrading from A3 to A2, it was no longer possible to maintain an Aa1 rating on covered bonds issued by an Italian bank.
Given the recent downgradings of both Italy and Intesa Sanpaolo, the Group decided to rationalise its securitisation transactions and CB issue programmes.
In June 2012, Intesa Sanpaolo offered the holders of covered bonds (CB) guaranteed by the vehicle ISP CB Pubblico S.r.l. the opportunity to exchange their bonds with new ones guaranteed by the vehicle ISP CB Ipotecario S.r.l., which have a higher rating.
In particular:

- the 2 billion euro issue (yield 3.25% and maturity 28 April 2017), guaranteed by ISP CB Pubblico, was exchanged with a new issue guaranteed by ISP CB Ipotecario, with the same yield and maturity date. The exchange price was 100. The trade, concluded in early July, resulted in the issue of 1.8 billion euro in new securities;
- the 1.5 billion euro issue (yield 5% and maturity 27 January 2021), guaranteed by ISP CB Pubblico, was exchanged with a new issue guaranteed by ISP CB Ipotecario, with the same yield and maturity date. The exchange price was 100. The trade, concluded in early July, resulted in the issue of 1.3 billion euro in new securities;

At the same time as the exchange offer, the Group also proposed the introduction of certain changes to the ISP CB Pubblico covered bond programme, approved at the beginning of July by holders of the covered bonds in question.
Also in the first half of the year, the Parent Company repurchased the mortgage portfolio transferred to the Adriano Finance 2 vehicle, with subsequent early settlement of the self-securitisation. Then in reference to the securitisation implemented through the vehicle Intesa SEC 2 S.p.A., the Group decided to exercise the clean-up call option, i.e. to settle the transaction.
In June the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Designed for retained issues, the programme is unrated and therefore the securities issued benefit from the rating of the issuer, Intesa Sanpaolo. The inaugural issues, for a total of around 12 billion euro, are at floating rate with an approximate 2 year duration, listed on the Luxembourg Stock Exchange and characteristics offering eligibility for transactions on the Eurosystem.
The programme is collateralised by mortgages granted by Intesa Sanpaolo (approximately 8 billion euro in residual debt at the time of transfer), mostly those deriving from the partially settled Adriano Finance 2 self-securitisation, as well as by mortgages granted by Banco di Napoli (around 5 billion euro in residual debt at the time of transfer).

Pursuant to SIC 12, Intesa Sanpaolo controls two conduits, Romulus Funding Corporation and Duomo Funding Plc..
The total assets of the vehicle Romulus include receivables from Duomo for 1,908 million euro. The remainder of the vehicle's assets refer to cash and other assets for 2 million euro. The vehicle has issued securities for a total of 1,886 million euro.
With regard to the portfolio of the vehicle Duomo, as at 30 June 2012 – in addition to receivables from Group banks for a total of 712 million euro – this portfolio includes loans to customers for 1,097 million euro. In portfolio, the vehicle holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 145 million euro as at 30 June 2012.
Compared to the information already provided in the 2011 financial statements, note:

- the increase to 1,182 million euro (762 million euro as at the end of 2011) in structured securities subscribed as part of normal lending to customers, the collateral on which has shown no signs of impairment;
- the portfolio concentration of the two vehicles mainly with underlyings originated in Italy;
- the confirmation of the good rating of the loan exposures.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through their 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.

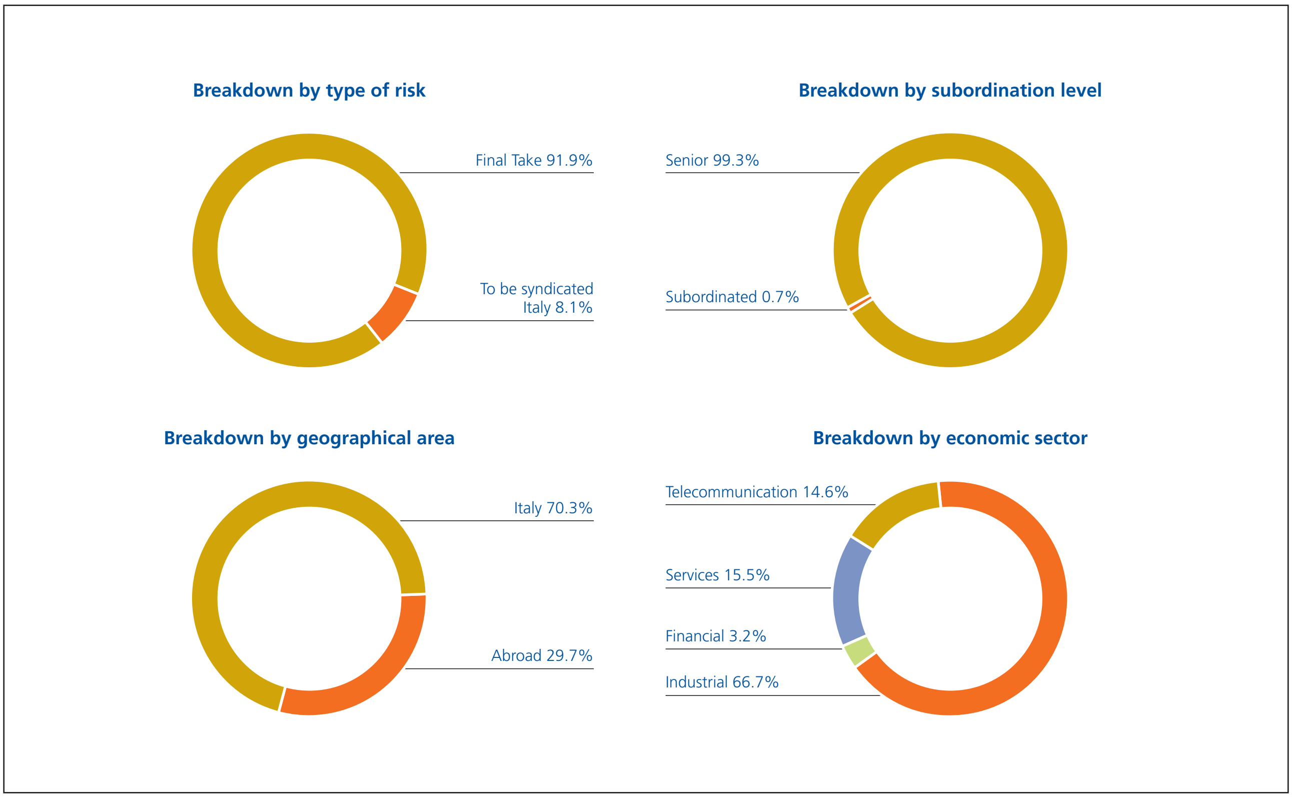
In June 2012 the Management Board of Intesa Sanpaolo resolved on the merger by incorporation of the only vehicle of this kind, Intesa Investimenti S.p.A., as the vehicle has now completed its mission and is essentially inactive.
The Lunar Funding vehicle, however, is still included in the scope of consolidation.

Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the financial statements as at 31 December 2011. For the Asset Backed SPEs in which the Group has the majority of voting rights, held by just one international subsidiary, total assets fell to 46 million euro (44 million euro in December 2011). In fact, almost all the SPEs in this category were merged by incorporation into the subsidiary holding the related equity investments.
For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

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 operations, 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 partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas 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 30 June 2012, 116 transactions for a total amount granted of 4,278 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 30 June 2012 totalled 682 million euro, compared to the 665 million euro recorded at the end of 2011. The increased value of this portfolio in the first half of 2012 can be largely attributed to the write-down of positions expressed in foreign currencies.
As at the same date, there was an overall gain of 28 million euro, a sharp improvement compared both to the end of 2011 (-114 million euro) and to the end of the first half of 2011 (-24 million euro).
During the first half of the year there were no significant changes in the portfolio's strategic asset allocation, which still remains prevalently geared towards benefiting from the implementation of specific corporate events, also partly independent from the general market trend. However, the exposure to the Global Macro strategy, with underlying investments made on the basis of global macro-economic trend forecasts, was increased.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2012, 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), presented a positive fair value, not having applied netting agreements, of 7,375 million euro (3,818 million euro as at 31 December 2011). The notional value of such derivatives totalled 58,423 million euro (50,708 million euro as at 31 December 2011). Of these, notional value of plain vanilla contracts was 52,310 million euro (44,113 million euro as at 31 December 2011), and of structured contracts was 6,113 million euro (6,595 million euro as at 31 December 2011).
Please note that the fair value of structured contracts outstanding with the 10 customers with the highest exposures was 377 million euro (335 million euro as at 31 December 2011). The same indicator, referred to the total contracts with a positive fair value, was 4,684 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,316 million euro, again as at 30 June 2012 (960 million as at 31 December 2011).
The notional value of such derivatives totalled 17,562 million euro (14,751 million euro as at 31 December 2011). Of these, notional value of plain vanilla contracts was 15,928 million euro (13,690 million euro as at 31 December 2011), and of structured contracts was 1,634 million euro (1,061 million euro as at 31 December 2011).
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 30 June 2012, this led to a negative effect of 51 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As concerns 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 the specific paragraphs in this chapter.
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 agreed by the Group.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes:
– effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
– effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
– effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo.
The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.

The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.
The Group has a centralised function within the Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (collection and structured census of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).
The Integrated self-assessment process, conducted on an annual basis, allows the Group to:
– identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
– create significant synergies with the specialised functions of the Organisation and Security Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Audit) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.
The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.
Operational risks are monitored by an integrated reporting system, which provides management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.
In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements. The deductible and limit of liability levels have already been changed and the internal model insurance mitigation component will be submitted for regulatory approval in 2012.
To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,990 million euro as at 30 June 2012 (1,986 million as at 31 December 2011 essentially unchanged as at 31 March 2012).

Legal risks

Legal risks are thoroughly and individually analysed by both the Parent Company and the individual Group companies concerned. Provisions are made to the Allowances for risks and charges when there are legal obligations that are likely to result in a financial outlay and where the amount of the disbursement may be reliably estimated.
During the first six months of 2012, no new significant legal procedures were commenced and there were no important developments with respect to those underway. Though reference should be made to the Notes to the 2011 consolidated financial statements for a more detailed description of the litigation regarding bonds in default, the insolvency of the Cirio Group, the tax-collection litigation with the former Gest Line, the Angelo Rizzoli litigation, the Allegra Finanz AG dispute and labour litigation, the issues recording certain developments during the half year are described below.

With regard to the dispute relating to anatocism in particular, after March 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, on the grounds that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but merely with a "commercial" practice, and therefore such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of interim capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment no. 24418 handed down by its Joint Sections on 2 December 2010, the Court of Cassation again made its voice heard on the matter, finding any form of capitalisation of interest to be unlawful and further ruling that the ten-year term of prescription applicable to account-holders' entitlement to reimbursement of unduly paid interest begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
Although the application of such principles is limited to contracts entered into prior to 2000, it is not believed possible to prepare a general, a priori estimate of the impact that this judgment may have on ongoing litigation, given that a case-by-case assessment is instead required.
With Law Decree 225 of 29 December 2010, enacted, with amendments, as Law 10/2011, the legislator set forth an official interpretation, establishing that the term of prescription of rights arising from account entries begins to toll on the date of the entry itself and thus, for anatocistic interest, on the date of each individual account debit.
The constitutionality of this regulation was subsequently challenged. The Constitutional Court ruling of 2 April 2012 accepted the exception, repealing the aforementioned provision. Based on the effective date of the prescription, the legislative principles pronounced by the Joint Sections of the Court of Cassation in 2010 are once again applicable.
The overall number of pending cases is at a non insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by specific, adequate provisions to the allowances for risks and charges.
Regarding the Codacons class action, it should be remembered that on 5 January 2010, Codacons, acting on behalf of a single account holder, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit, brought before the Court of Turin, seeks a finding that the new fee structure introduced by the Bank to replace the overdraft charges is unlawful and, accordingly, a sentence ordering the Bank to provide compensation for the alleged damages, which may also be determined on an equitable basis, suffered by the claimant (who has quantified them at 1,250 euro) and all other customers in the same class who elect to participate in the initiative.
On 4 June 2010, the Court of Turin filed an order stating the inadmissibility of such class action. The order was appealed before the Turin Court of Appeal, which in an order filed on 25 October 2010 rejected the appeal. Codacons challenged this last decision by appeal brought before the Court of Cassation, which by ruling no. 9772 filed on 14 June 2012 rejected the appeal as inadmissible.

With reference to the Altroconsumo class action, on 17 November 2010, the association Altroconsumo, acting on behalf of three account holders, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit originally sought a finding that application of overdraft charges and the new fee for overdrawing accounts without credit facilities in place is unlawful. It also sought an inquiry into whether the "threshold rate" set out in Law 108/96 (usury) has been exceeded and a sentence enjoining the restitution of any amounts collected by the Bank in excess of that threshold. The claim had been quantified at a total of 456 euro in connection with the three accounts cited in the suit.
By order of 28 April 2010, the Court of Turin declared the suit inadmissible. Following the complaint filed by the plaintiffs, the Turin Court of Appeal, by order of 16 September 2011, overturned the previous order, declaring the suit admissible as limited solely to account overdraft charges applied effective 16 August 2009. The Bank appealed against this ruling before the Court of Cassation, which is expected to pronounce upon the underlying reasons for the appeal.
The class action was therefore re-opened before the Court which by order filed on 15 June 2012 established the advertising terms and methods for the joinder of class action participants, setting the date of the hearing for continuation of the proceedings as 14 March 2013.
With respect to the merits of the dispute – which will be examined only after the aforementioned hearing – it is believed that the Bank has valid arguments in support of the legitimacy of the account overdraft charge.

The criminal investigation instigated by the New York District Attorney's Office and the Department of Justice aimed at verifying the methods used for clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008, an update on which has been provided each year in the Notes to the consolidated financial statements, was concluded in the Bank's favour on 19 June 2012.

On 3 April 2012, the Bank was notified that the Department of Justice had decided to drop the proceedings, having found no sufficient evidence to justify the infliction of any criminal sanctions. A little more than two and a half months later, and for the same reasons, the New York District Attorney's Office decided to close the investigation.
As regards the transactions in question (the handling of bank transfers in dollars through the SWIFT interbank payments service, cleared through US banks), the Bank remains subject to assessments still in progress by the OFAC (Office of Foreign Assets Control), the authority of the United States Department of the Treasury responsible for foreign exchange control.
Parallel administrative proceedings are also still pending, initiated in March 2007 by the US banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violation of the local anti-money laundering and embargo regulations.
While a settlement agreed by the OFAC and the banking supervisory authorities could still theoretically involve the payment of a fine by ISP, available information does not allow a forecast of the timing, outcome and amount of the possible fine.

Banca Infrastrutture Innovazione e Sviluppo (BIIS), as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI of a 250 million euro bond issued by the Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. Lastly, the Court ordered compensation for damages in favour of the Municipality, to be calculated by separate proceedings.
The Municipality and the Bank jointly agreed not to enforce the judgement.
On 20 April 2012 the Court of Appeal, without prejudice to the findings of the separate proceedings regarding the alleged damages, partially reformulated the first instance ruling by ordering that:
- BIIS reimburse the sums paid by the Municipality of Taranto, plus legal interest;
- the Municipality of Taranto reimburse BIIS for the sums disbursed in execution of the bond loan, less amounts already repaid, plus legal interest and currency appreciation corresponding with the difference between the net rate of return on government bonds and the reasonable assessment of legal interest;
- BIIS reimburse the Municipality for first instance legal costs, compensated against those for the appeal.

In the meantime, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The fact that the Municipality's debt to the Bank has been included in the insolvency procedure's "list of debts" instead of in the "rebalanced financial statements" does not, in and of itself, have consequences for the Bank's right to repayment of its loan to the Municipality and, accordingly, on the position's risk profile. The Bank nonetheless appealed the judgment before the Regional Administrative Court of Puglia, which found the appeal inadmissible, ruling that the dispute fell within the jurisdiction of the civil courts and establishing – albeit on an incidental basis – that the appealed judgment was devoid of dispositional content and was thus incapable of undermining the Banks' credit claims.

In November 2006 the Piemonte Regional Government issued two bond loans with bullet repayments for a total of 1,856 million euro, of which 430 million euro in bonds subscribed by the former Banca OPI, now BIIS (the remainder subscribed by two leading international financial institutions). Under the terms of these issues and in compliance with law, the Regional Government finalised two derivative financial instrument transactions subscribed by the former Banca OPI for a notional amount of 628 million euro, together with the other two lending banks.
At the beginning of 2011 the Regional Government launched verification and comparison proceedings with the banks concerned to assess the financial and legal profiles of the swap transactions. BIIS provided all the necessary clarification through studies assigned to expert external consultants on the various issues. The studies confirmed the technical fairness of the signed contracts and their full compliance with the legal framework.
In July 2011 the Piemonte Regional Government notified BIIS of the launch of self-protection proceedings with a view to annulment and/or cancellation of all administrative documents based on assumption, consequent to or in any event associated with the derivative contracts finalised between the Regional Government and the Bank in 2006. The Bank prepared and filed a document containing its exhaustive counterclaims to these proceedings, and on 10 August 2011, acting in concert with another bank, filed a special claim form with the High Court of the Royal Courts of Justice in London for ascertainment of the validity and fairness of the derivatives signed with the Regional Government given that the related contracts are governed by British law.
In January 2012 the Regional Government arranged the cancellation of its own action regarding the derivative contracts. On 30 January 2012 BIIS therefore informed the Piemonte Regional Government of the claim form that had been filed with the High Court of the Royal Courts of Justice in London, with the effect of instigating the related proceedings and devolvement to the British court of the decision regarding the validity of the derivative contracts in question and any related jurisdictional issues.
Appealing against the action taken by the Regional Government to conclude the self-protection proceedings, BIIS (with another bank) also filed an appeal before the Piemonte Regional Administrative Court in Turin, requesting annulment subject to suspension of the prejudicial effects of the proceedings.
At the Regional Administrative Court hearing of 19 April 2012 the banks waived their injunction claim in view of the hearing to discuss the merits being set for 8 November 2012
With reference for the proceedings before the British courts, to date the Piemonte Regional Government has not filed its appearance despite the deadline for doing so having passed. This does not exclude their option of doing so at any time during the course of proceedings.
Furthermore, in the meantime the Piemonte Regional Government has not complied with the netting payment due on 27 May 2012 in relation to one of the two swap contracts. Given this failure to pay, pursuant to ISDA documentation, on 10 July 2012 the Bank served Notice of Failure to Pay, inviting the Regional Government to arrange payment within the three business days thereafter, to which there was no reply.

In this context, with regard to the consequences of the self-protection cancellation arrangements adopted by the Piemonte Regional Government and the Bank's risk of a negative outcome in the proceedings brought before the Piemonte Regional Administrative Court, external legal experts have pointed out that: (i) at present the cancellation proceedings have no effect on the existence of the swap contracts, which in any event remain fully valid between the Region and the Bank until such a time as the competent civil court pronounces it null, (ii) the risk of a negative outcome for the Bank in the proceedings before the Piemonte Regional Administrative court can be considered remote.
In the light of these conclusions, agreed with the relevant Departments of the Bank, it was not deemed appropriate at present to propose a precautionary allocation to reserves.

Tax litigation
With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2011 consolidated financial statements.
In relation to Intesa Sanpaolo tax litigations, as at 30 June 2012 there are three aspects worth specific mention:
The first regards the negative first instance ruling of the Milan Provincial Tax Committee, which unexpectedly confirmed the IRES tax recovery claimed by the Agenzia delle Entrate – Italian Revenue Agency to be unlawful in relation to the sale without recourse of loans to the company Castello Finance in 2005 by ISP and Intesa Gestione Crediti. An appeal was naturally filed against this ruling.
The second event, on the other hand, involves the positive outcome at appeal before the Regional Tax Committee of Turin, in the matter of the stamp duty in relation to the compulsory accounting figures for the years 2005 and 2006, with regard to which the legitimacy has ultimately been recognised of the Bank's actions in preparing a hard copy of the journal ledger for the daily totals of the individual general ledger accounts, whereas the individual entries recorded were considered absolutely irrelevant for such purpose.
Lastly, the third refers to the similarly positive outcome at appeal, again before the Regional Tax Committee of Turin, regarding recognition of the tax relevance of loans deriving from repurchase agreements to the effects of calculation of the ceiling on the write-down of losses in relation to 2003. However, this favourable case law guidance did not stop the negative first instance outcome of a similar litigation regarding 2005 from continuing to be seen as such.
Two other legal outcomes should also be specifically mentioned, these against two Italian companies in the Group.
This case refers to the confirmation obtained in first instance proceedings before the Milan Provincial Tax Committee of the findings against Intesa Sanpaolo Private Banking regarding reclassification as goodwill of costs incurred as remuneration for the provision of presentation services to customers, which the Agenzia delle Entrate – Italian Revenue Agency claims are equivalent to a case of business unit transfer.
The other notice concerns Banca IMI's recourse against 2003 findings, which at appeal saw a worsening of the previous outcome, which had already been negative on other aspects, by confirming: i) the lawful nature of the unpaid revenue agency demand, also with regard to the presumed loan on the quota of dividends distributed by an international subsidiary, and ii) the withholding tax obligation on the manufactured dividend paid to foreign banking counterparties, and on the liability for related sanctions which were instead disregarded – due to objective uncertainty concerning the reference regulations – at the first instance proceedings. The Company filed an appeal against this ruling before the Court of Cassation.
Furthermore, in the final few days of the half year a decision was reached by the administrative court on the tax litigation brought against Fideuram Investimenti SGR, in accordance with the criteria of convenience recorded in the 2011 year-end reporting.

Lastly, with regard to investigations by the Public Prosecutor's Office of Biella into the alleged tax irregularities committed by Cassa di Risparmio di Biella e Vercelli when it was a member of the Intesa Sanpaolo Group, it should be emphasised that these relate to transactions completed in 2006 considered by the competent offices of the Bank to be fully compliant with the civil and tax regulations in force.
Note that the tax litigation in question is included among those already settled with the Agenzia delle Entrate - Italian Revenue Agency, disclosure of which was also made in the Notes to the 2011 consolidated financial statements. The settlement of the aforementioned litigations was agreed, though fully confident of the fairness of its operations, based on the inappropriateness of nurturing litigations that are time-consuming and costly.

INSURANCE RISKS

Life business

The typical risks of a life insurance portfolio can be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at portfolio level, including liabilities).
Actuarial and demographic risks are guarded against by a regular statistical analysis of the evolution of liabilities, divided by type of risks and through simulations of expected profitability on the assets which cover technical reserves.
Reserve risk is managed through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.
The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business

The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk on a 1-month holding period.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These essentially refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 30 June 2012, the investment portfolios of Group companies, recorded at book value, amounted to 78,475 million euro; of these, the share regarding traditional revaluable life policies, non-life policies and free capital (Class C portfolio or portfolio at risk) amounted to 45,387 million euro, while the other component (Class D portfolio or portfolio with total risk retained by the insured) mostly comprised investments related to pension funds, index- and unit-linked policies and totalled 33,088 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "portfolio at-risk".
In terms of breakdown by asset class, net of derivative positions, 94.0% of assets, i.e. approximately 42,966 million euro, were bonds, while assets subject to equity risk represented 1.6% of the total and amounted to 719 million euro. The remaining part (2,000 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.4%).
The carrying value of derivatives came to approximately -298 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[3] only amounting to around -22 million euro.

At the end of the first six months of 2012, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,271 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 83 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 4.6 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,034 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 122 million euro rise which partly offsets the corresponding loss on the bonds.

[3] ISVAP Regulation 36 of 31/01/2011 on investments defines effective management derivatives as all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

The investment portfolio has a good credit rating. AAA/AA bonds represented approximately 6.2% of total investments and A bonds approximately 78.3%. Low investment grade securities (BBB) were approximately 7.3% of the total and the portion of speculative grade or unrated was minimal (approximately 2.2%). The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 71.5% of the total investments, while financial companies (mostly banks) contributed almost 18.8% of exposure and industrial securities made up approximately 3.7%.
At the end of the first half of 2012, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,235 million euro, with 1,808 million euro due to government issuers and 427 million euro to corporate issuers (financial institutions and industrial companies).

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the shareholders' register and the most recent available information as at 20 July 2012, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,506,372,075	9.718%
Fondazione Cariplo	767,029,267	4.948%
Fondazione C.R. di Padova e Rovigo	740,092,011	4.774%
Crédit Agricole S.A. (**)	592,000,000	3.819%
Ente C.R. Firenze	514,655,221	3.320%
Assicurazioni Generali	507,564,006	3.274%
BlackRock Inc. (***)	376,688,882	2.430%
Harris Associates L.P. (***)	320,091,716	2.065%
Fondazione C.R. in Bologna	313,656,442	2.023%

(*) held directly or indirectly.

(**) for more information see the extract of the commitments of Crédit Agricole to Intesa Sanpaolo, published on www.group.intesasanpaolo.com website.

(***) held as assets under management.

Transactions with related parties

Procedural features

In implementation of Consob Resolution 17221 of 2010 as amended, on 26 November 2010 the Management Board and the Supervisory Board – after obtaining the Control Committee's favourable opinion – approved the "Intesa Sanpaolo Group Regulations on the management of transactions with related parties".
These Regulations, which came into full force from 1 January 2011, set forth criteria for the entire Group for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market.
In accordance with the criteria established by the Supervisory Authority, under the new Regulations the following are considered related parties of Intesa Sanpaolo: subsidiaries and associates, joint ventures, pension funds of the Group, shareholders holding an interest of over 2% in the Bank's voting capital and relative corporate groups, key managers, close family members of key managers and related significant shareholdings.
In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members, but also General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of business units, the Heads of governance areas, the Heads of head office departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Operations and Special Projects.
As regards shareholders, the Bank has extended, as a form of self-regulation, the effectiveness of the regulations to companies and their groups with an equity investment with voting rights in the Bank of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties.
The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties of Intesa Sanpaolo, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.
In line with the regulations implemented by Consob, a regime of full and partial exemptions from the application of the regulations is also envisaged.

With regard to decision-making, the procedure in the Regulations currently in force distinguishes between:
- transactions for smaller amounts, excluded from application of the regulations;
- less significant transactions, equal to or greater than the small-amount thresholds (250,000 euro for individuals, 1 million euro for entities connected to key managers, 5 million euro for significant shareholders and related corporate groups, associates and pension funds, and 20 million euro for subsidiaries);
- more significant transactions, if they exceed the threshold of 5% of the indicators defined by Consob (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the Shareholders' meeting.

An important role is reserved in the approval process for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not minor and not exempt – undertaken by the Parent Company with one of its related parties are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Management Board may decide on a more significant transaction and the Supervisory Board may authorise a strategic transaction, despite the negative opinion of the independent Committee: the transaction, without prejudice to its effectiveness, must in both cases be submitted for non-binding resolution by the ordinary Shareholders' meeting. For transactions attributed to the Shareholders' meeting, the resolution proposal by the Management Board, approved where required by the Supervisory Board, is governed according to the procedures envisaged for less/more significant or strategic transactions, depending on the type of transaction. More significant transactions that are approved despite the negative opinion of the Committee cannot be carried out if, during the Shareholders' meeting, the majority of unrelated voting shareholders express an unfavourable vote, provided that the unrelated shareholders present at the Meeting represent at least 10% of the share capital with voting rights.
Transactions undertaken by subsidiaries with related parties of Intesa Sanpaolo must be approved, subject to authorisation from the Parent Company, by the Board of Directors of the subsidiaries concerned. Each company may also choose to include specific internal control measures in its own decision-making process that can also cover transactions carried out by the company with its "own related parties".
The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts equal to or greater than the thresholds of less significant importance. Bank funding transactions and intragroup loans are excluded from this requirement, regardless of the amount.
Finally, please note that if the related party also qualifies as a relevant person pursuant to art. 136 of the Consolidated Law on Banking the special decision-making procedure established under that law also applies. This requires the transaction to be submitted for prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned art. 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases the contract or the act must be approved by the Parent Company. The special decision-making procedure also applies to contractual obligations entered into by the Bank or other companies in the Banking Group with companies controlled by corporate officers or companies in which these corporate officers have administration, steering or control duties. Moreover, it also applies to related subsidiaries and parent companies (unless the obligations are contracted between companies in the same Banking Group or refer to transactions on the interbank market).
Furthermore, the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as art. 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per article 2391 of the Italian Civil Code.

In implementation of article 53, paragraphs 4 et seq., of the Consolidated Law on Banking, on 12 December 2011 the Bank of Italy issued new supervisory regulation on activities involving risk and conflicts of interest by banks and banking groups with respect to "associated entities", the scope of which largely coincides with that of the related parties of the Parent Company and other Group banks pursuant to IAS 24. The new banking regulations, which are to become fully operational effective 31 December 2012, include procedural rules for transactions with associated entities, according to a scheme analogous to that which characterises the Consob rules cited above, as well as maximum limits on exposures to such entities.
After obtaining the Control Committee's favourable opinion, the Management Board and the Supervisory Board approved the "Intesa Sanpaolo Group Regulations on the management of transactions with the related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group", which will replace the current Related Parties Regulations effective 31 December 2012. The new Regulations, published on the Bank's website, implement both the rules issued by Consob and the new supervisory provisions introduced by the Bank of Italy.

Information on transactions with related parties

More significant transactions

During the first half of 2012 the Group did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo – in an obligation to publish a market disclosure document.

Transactions of ordinary or recurrent nature

Ordinary or recurrent transactions entered into with related parties in the first half of 2012 fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with intragroup related parties or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level. It should also be noted, in the interest of disclosure, that the vehicle ISP OBG S.r.l. was incorporated during the half-year for the purpose of issuing assets eligible for the Eurosystem.

Receivable and payable balances with related parties as at 30 June 2012 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of the "related parties" considered for the purposes of the tables in this section has been extended, effective 1 January 2011, in accordance with IAS 24.

	30.06.2012	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	11,683	1.9
Total other assets	171	0.8
Total financial liabilities	3,599	1.0
Total other liabilities	131	0.1

Equity investments in companies subject to significant influence or joint control (carried at equity), amounting to 2,795 million euro, are to be added to the foregoing balance sheet aggregates.

	30.06.2012	
	Amount (millions of euro)	**Impact** (%)
Total interest income	142	1.4
Total interest expense	-20	0.5
Total fee and commission income	49	1.5
Total fee and commission expense	-23	3.2
Total operating costs	-119	2.7

The figures in the foregoing tables include outstanding positions with respect to shareholders and the relative corporate groups that hold an interest in the Bank's capital with voting rights in excess of 2%, included among related parties on a self-regulation basis. Refer to the following table for a breakdown of balance sheet positions in relation to shareholders, whereas the following figures refer to the income statement: interest income of 27 million euro, interest expense of 16 million euro, commission income of 9 million euro, commission expense of 8 million euro and operating costs of 11 million euro.

During the half-year, there were no provisions for non-performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non-performing loans due from related parties, with the exception of 19 million euro related to associates and companies subject to joint control (including the adjustment to the Risanamento convertible loan for 10 million euro).
The Telecom measurement made by Telco for the financial statements as at 30 April 2012 involved an adjustment of Telco's recognition value in Intesa Sanpaolo's consolidated accounts from 145 to 136 million euro, with a 9 million euro impairment loss on the investment. In addition, impairment losses of 10 million euro were recognised on Alitalia.
For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, during the period payments were made for the settlement of the technical imbalance of said Funds, as recognised in the 2011 financial statements. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

The table below reports the main terms of reference of transactions with each category of related party, as classified by the new IAS 24, net of intragroup operations, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated considering only shares owned) and on parties that are not related pursuant to IAS 24, but are in any case included as a form of self-regulation.
The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries not included in the line-by-linie scope of consolidation	1	-	-	-	-	11	3	-	107	1	3	1
Companies subject to joint control	11	-	10	-	-	96	-	-	11	-	7	165
Associates	351	-	430	-	3	3,686	2	12	530	444	8	4,278
Key Managers and control bodies	-	-	-	-	-	1	-	-	5	-	-	5
Other related parties	3	-	-	-	-	47	-	-	261	-	-	8
Total	**366**	**-**	**440**	**-**	**3**	**3,841**	**5**	**12**	**914**	**445**	**18**	**4,457**
Shareholders (*)	1,805	1,002	377	-	2,981	868	166	692	269	1,267	113	1,085

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. With regard to remuneration policies, it should be noted that the Shareholders' Meeting of 28 May 2012 approved an incentive system based on financial instruments that calls for the use of ordinary shares of Intesa Sanpaolo to be purchased on the market and authorised the purchase of such shares.
Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The Group's most significant associates – and the companies controlled by them – in accordance with the version of IAS 24 in effect since 1 January 2011 are A4 Holding, formerly Autostrada BS-VR-VI-PD (Serenissima), the NH Hoteles Group, Bank of Qingdao, Telco, Telecom, Autostrade Lombarde, Penghua Fund Management, Alitalia - Compagnia Aerea Italiana, SIA, Autostrada Pedemontana Lombarda, Risanamento and Cassa di Risparmio di Fermo.
The joint ventures of the year include Allfunds Bank SA.
The category "Other related parties" includes the Bank's pension funds, the close relatives of managers and entities controlled by them.

Less significant transactions

The most notable less significant transactions concluded during the first half of 2012 by the Parent Company or subsidiaries with related parties are reported below.
Transactions during the year undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.
In the year, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.

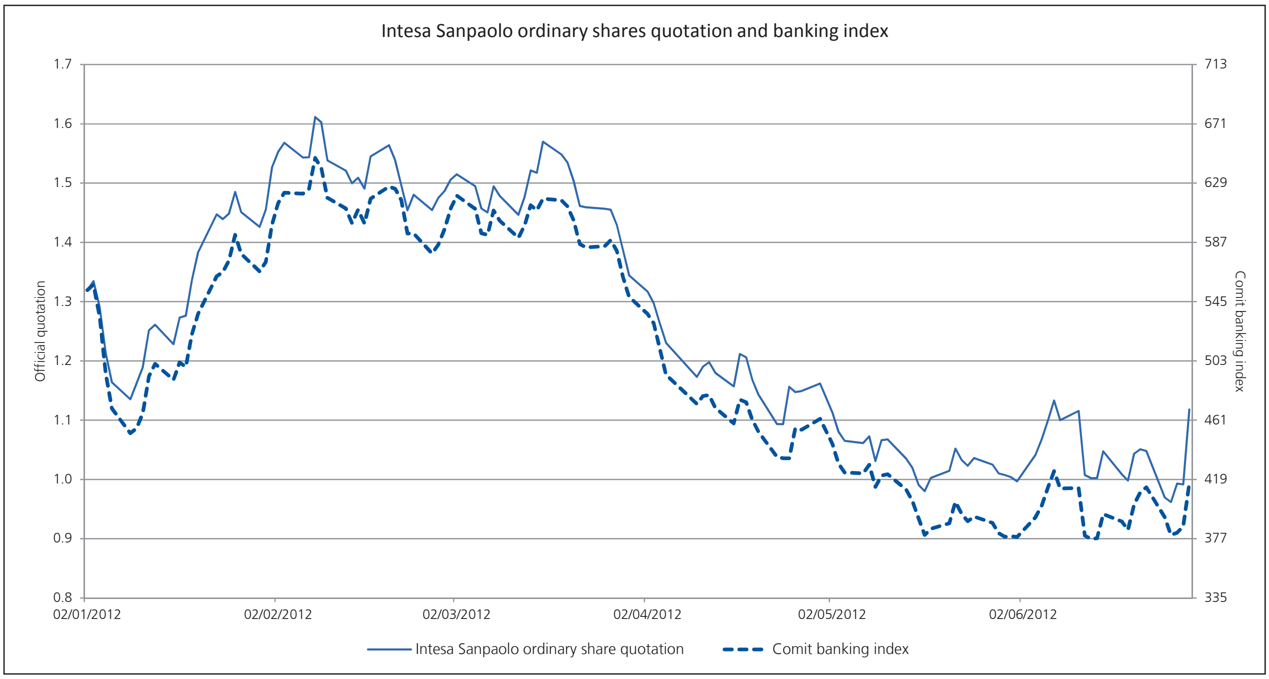
Specific transactions

The Group's most significant dealings with associates and companies controlled by associates during the period included loans granted to the Pirelli Group, the NH Hoteles Group, the Iren Group, Società Autostrade Lombarde, A4 Holding (formerly Autostrada BS-VR-VI-PD) and its subsidiary Infracom Italia, Telco, Telecom Italia, Alitalia Compagnia Aerea Italiana, the RCN Finanziaria Group and its subsidiary Intermarine, Prelios, the RCS Mediagroup Group and its subsidiary Register.it, Infragruppo and other minor associates (Iniziative Immobiliari Industriali, Banca Impresa Lazio and S.A.G.A.T). All transactions were carried out at market interest rates.
Share capital increases were subscribed with respect to Autostrade Lombarde and Telco.
With respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), it should be recalled that in the first half of 2011, in addition to ordinary lending transactions, Intesa Sanpaolo and the Crédit Agricole Group finalised the sale by Intesa Sanpaolo to the Crédit Agricole Group of the entire investment held through the subsidiary Cassa di Risparmio di Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy for total consideration of approximately 740 million euro, subject to a purchase price adjustment mechanism that resulted in a cash outlay of 72.5 million euro in the first half of 2012.
Finally, it should also be noted that in 2011, as part of the company's debt restructuring plan, Intesa Sanpaolo had subscribed for part of Risanamento's capital increase and Convertible Loan 2011-2014, in part through offsetting against the Bank's pre-existing loans. In the first half of 2012, the exposure to Risanamento was adjusted for a total of approximately 16 million euro, of which approximately 10 million euro attributable to the convertible loan (also to take into consideration the option of reimbursement in shares at maturity) and approximately 6 million euro referring to the shareholding.

For the sake of completeness, with regard to compensation of management bodies, it should be noted that the Chairman of the Supervisory Board and the Chairman of the Management Board announced in late April, and implemented in early May, a voluntary one-third reduction of the compensation attributed to them for the position until the end of their terms. This decision was also disclosed in the Shareholders' Meeting.
A similar decision was made, effective from 1 July until the end of their terms, by the members of the Supervisory Board with respect to the compensation to which they are entitled for the position of director and the duties fulfilled within the Board.

Stock price performance

In the first half of 2012, the temporary easing of the strains on sovereign debt initially drove the European banking industry index up to its maximum levels for the period in February. Uncertainties about the prospects of economic recovery in the Eurozone, associated with renewed fears about the solidity of public finances in certain peripheral Eurozone countries and the spread of the crisis to Spain (which drew attention to the need to recapitalise its national banking system) then resulted in a sharp adjustment of quotations. After recording a gain of 19.2% on 9 February, the Euro Stoxx Banks index closed the first half of the year down by 12.2%, with a performance level of 7.8 percentage points lower than the Euro Stoxx 50 index.
The Italian banking sector showed itself to be more sensitive than the European average to the fluctuation in the strains on sovereign debt and economic growth concerns, ending the first half of 2012 down by 18.5%, after having reached the maximums for the period on 8 February, when the sector had achieved an increase of over 20% compared to the beginning of the year.
The performance of Intesa Sanpaolo ordinary shares followed the trend shown by the banking industry indexes in the first half of 2012: a decline in early January, followed by growth until early February, when the peak was reached, and then a subsequent downtrend that ended in June, with the stock down by 15.3% at the end of the half-year compared to the beginning of the year.
The price of Intesa Sanpaolo savings shares was down by 9.7% at the end of June compared to the beginning of the year. The discount with respect to ordinary shares decreased to approximately 20% from 25% at the beginning of the year.
At the end of June, Intesa Sanpaolo's capitalisation decreased to 18.2 billion euro, against 21.4 billion euro at the beginning of the year.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends declared for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares outstanding. The Earnings per share (EPS) indicator is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted earnings are calculated considering the effect of the forecast future issues of ordinary shares, which, in any case, do not determine material effects.

	30.06.2012		30.06.2011	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	15,498,135,621	931,987,222	12,023,476,106	931,242,524
Income attributable to the various categories of shares *(millions of euro)*	1,202	72	1,296	106
Basic EPS (*euro*)	0.08	0.08	0.11	0.11
Diluted EPS (*euro*)	0.08	0.08	0.11	0.11
Basic EPS annualised (*) (*euro*)	0.16	0.16	0.22	0.22
Diluted EPS annualised (*) (*euro*)	0.16	0.16	0.22	0.22

(*) Income is not indicative of the forecast net income for the year, since it is obtained by annualising the net income for the period.

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.

Even for the Intesa Sanpaolo Group, the performance of the index – for the first half of 2012 restated for average figures as well as for period-end figures – is significantly impacted by market trends.

(millions of euro)

	30.06.2012	1st half 2012	2011	2010	2009	2008
Market capitalisation	18,165	20,593	27,006	31,209	32,228	48,639
Shareholders' equity	47,998	47,519	50,287	53,107	50,818	50,256
Price / book value	**0.38**	**0.43**	**0.54**	**0.59**	**0.63**	**0.97**

Ratings

On 6 February 2012, following the downgrading of Italy's rating, Fitch lowered the Bank's long-term rating from A to A- with a negative outlook, its short-term rating from F1 to F2 and its viability rating from a to a-.

On 10 February 2012, Standard & Poor's lowered the Bank's long-term rating to BBB+ (from A) and its short-term rating to A-2 (from A-1), with a negative outlook. This downgrading followed the equivalent action on the ratings of the Republic of Italy announced by Standard & Poor's on 13 January 2012.

On 14 May 2012, Moody's lowered its bank financial strength rating (BFSR) from C+ to C-, its long-term rating from A2 to A3 and its short-term rating from P-1 to P-2, with a negative outlook, following the conclusion of the review process that began on 15 February 2012 as part of a European evaluation of financial sector ratings. On 16 July 2012, Moody's then lowered the long-term rating assigned to the Bank from A3 to Baa2, following a similar change in Italy's rating. The P-2 short-term rating and C- BFSR were confirmed. The outlook on the BFSR and long-term rating is negative, in line with that on the sovereign rating.

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-2	A-2	F2
Long-term debt	Baa2	BBB+	A-
Outlook	Negative	Negative	Negative
Financial strength	C-	-	-
Viability rating	-	-	a-
Support	-	-	2

Forecast for the year

The economic recession in Italy is expected to continue at least throughout 2012, while for the overall Eurozone, it may end during the second half of this year. Although there are risks on several fronts, including the geopolitical one, global economic growth is expected to continue for the rest of the year, albeit at a moderate pace. The strains in the market for Government bonds will remain high, at least until there is firm evidence that the consolidation strategies of Spain and Italy are achieving concrete results. In this context, there may still be a need for mobilisation of European funding support to compensate for insufficient private capital flows to the countries of the European periphery. Official interest rates should remain stable, while excess liquidity is expected to push down money market rates.

In its recent update on estimates of the world economy, the IMF made a slight downward adjustment to its forecasts for emerging economies, with growth of 5.6% envisaged for 2012 (-0.1% compared to April). The economic growth rate is expected to slow down across all emerging areas, except for the MENA countries (+5.5%, up 1.3% over the April forecast), which are expected to accelerate due to the positive effect of comparison with 2011 and the boost to internal demand resulting from generous fiscal policies. The Asian economies, although slowing, will continue to drive world growth, followed by the CIS countries, Latin America and the Central Eastern European countries. The latter are suffering the effects of the economic difficulties and financial tension of the Eurozone. Slovenia, Croatia and Hungary are expected to enter a recession, with Serbia undergoing a sharp slowdown. Prospects are more favourable for Russia, Ukraine (with growth above 3%) and Egypt (around 2.5%).

Italian banking sector business will be highly impacted by development of the crisis in the Eurozone. The spread on Italian debt risks halting the moderately expansive phase of bank rates, despite the accommodating monetary policy conditions and low monetary rates. Renewed worsening of financial market tensions and the continued uncertainty regarding development of the economic situation could also negatively influence performance of the loans segment during the second part of the year. In terms of customer deposits, renewed tensions are expected with respect to the cost of new funding, which will remain high at least until a significant and long-term reduction in the risk premium on Italian debt is achieved.

In 2012 the Intesa Sanpaolo Group will continue to prioritise sustainable profitability through efficient liquidity allocation, attentive management of all risks and constant pursuit of efficiency and productivity.

In light of the positive revenue performance in the first half of the year, operating performance for 2012, net of last year’s non-recurring items, is expected to remain broadly stable also as a consequence of ongoing cost containment actions and constant monitoring of asset quality.

The Management Board

Milan, 3 August 2012

Certification of the half-yearly condensed consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Enrico Tommaso Cucchiani (as Managing Director and CEO) and Ernesto Riva (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements, in the first half of 2012.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements as at 30 June 2012 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The half-yearly condensed consolidated financial statements as at 30 June 2012:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The half-yearly report on operations contains indications of the most significant events in the first six months of the year and their impact on the half-yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties faced in the remaining six months of the year as well as information on significant related party transactions.

03 August 2012

Enrico Tommaso Cucchiani
Managing Director and CEO

Ernesto Riva
Manager responsible for preparing
the Company's financial reports

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors’ Report

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of condensed interim consolidated financial statements

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

1 We have reviewed the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2012, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, changes in consolidated shareholders' equity, consolidated statement of cash flows and explanatory notes thereto. The parent's management board is responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with bank management and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to the report of other auditors on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

With regard to the corresponding figures included in the condensed interim consolidated financial statements reference should be made to the reports of other auditors on the annual consolidated and condensed interim consolidated financial statements of the previous year dated 23 April 2012 and 6 August 2011, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2012 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 9 August 2012

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2011 and the restated consolidated balance sheet as at 31 December 2011

Reconciliation between the consolidated income statement as at 30 June 2011 and the restated consolidated income statement as at 30 June 2011

Reconciliation between the consolidated income statement as at 30 June 2012 and the restated consolidated income statement as at 30 June 2012

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2011 and the restated consolidated balance sheet as at 31 December 2011

Since no restatements have been made, please see the financial statements.

Reconciliation between the consolidated income statement as at 30 June 2011 and the restated consolidated income statement as at 30 June 2011

(millions of euro)

	30.06.2011 Published (*)	Changes in the scope of consolidation					30.06.2011 Restated
		Contribution of branches to Crédit Agricole (a)	Disposal of Fideuram Bank Suisse (c)	Acquisition of Banca Sara (c)	Acquisition of Banca Monte Parma (d)	**Total change in the scope of consolida-tion**	
10. Interest and similar income	9,195	-19	-	2	41	24	9,219
20. Interest and similar expense	-3,627	1	-	-	-21	-20	-3,647
30. Interest margin	**5,568**	**-18**	**-**	**2**	**20**	**4**	**5,572**
40. Fee and commission income	3,176	-11	-1	14	16	18	3,194
50. Fee and commission expense	-620	-	-	-9	-1	-10	-630
60. Net fee and commission income	**2,556**	**-11**	**-1**	**5**	**15**	**8**	**2,564**
70. Dividend and similar income	376	-	-	-	-	-	376
80. Profits (Losses) on trading	167	-	-	1	-1	-	167
90. Fair value adjustments in hedge accounting	-29	-	-	-	-	-	-29
100. Profits (Losses) on disposal or repurchase of	475	-	-	-	-	-	475
a) loans	*12*	-	-	-	-	-	*12*
b) financial assets available for sale	*457*	-	-	-	-	-	*457*
c) investments held to maturity	*-1*	-	-	-	-	-	*-1*
d) financial liabilities	*7*	-	-	-	-	-	*7*
110. Profits (Losses) on financial assets and liabilities designated at fair value	-109	-	-	-	-	-	-109
120. Net interest and other banking income	**9,004**	**-29**	**-1**	**8**	**34**	**12**	**9,016**
130. Net losses / recoveries on impairment	-1,395	-	-	-	-49	-49	-1,444
a) loans	*-1,343*	-	-	-	*-50*	*-50*	*-1,393*
b) financial assets available for sale	*-86*	-	-	-	-	-	*-86*
c) investments held to maturity	*-1*	-	-	-	-	-	*-1*
d) other financial activities	*35*	-	-	-	*1*	*1*	*36*
140. Net income from banking activities	**7,609**	**-29**	**-1**	**8**	**-15**	**-37**	**7,572**
150. Net insurance premiums	5,669	-	-	-	-	-	5,669
160. Other net insurance income (expense)	-6,089	-	-	-	-	-	-6,089
170. Net income from banking and insurance activities	**7,189**	**-29**	**-1**	**8**	**-15**	**-37**	**7,152**
180. Administrative expenses	-4,520	28	1	-8	-32	-11	-4,531
a) personnel expenses	*-2,792*	*18*	*1*	*-4*	*-19*	*-4*	*-2,796*
b) other administrative expenses	*-1,728*	*10*	-	*-4*	*-13*	*-7*	*-1,735*
190. Net provisions for risks and charges	-88	-	-	-	-16	-16	-104
200. Net adjustments to / recoveries on property and equipment	-182	-	-	-	-1	-1	-183
210. Net adjustments to / recoveries on intangible assets	-348	-	-	-	-	-	-348
220. Other operating expenses (income)	236	-2	-	-	3	1	237
230. Operating expenses	**-4,902**	**26**	**1**	**-8**	**-46**	**-27**	**-4,929**
240. Profits (Losses) on investments in associates and companies subject to joint control	-128	-	-	-	-	-	-128
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-	-	-
270. Profits (Losses) on disposal of investments	176	-	-	-	-	-	176
280. Income (Loss) before tax from continuing operations	**2,335**	**-3**	**-**	**-**	**-61**	**-64**	**2,271**
290. Taxes on income from continuing operations	-888	1	-	-1	14	14	-874
300. Income (Loss) after tax from continuing operations	**1,447**	**-2**	**-**	**-1**	**-47**	**-50**	**1,397**
310. Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-
320. Net income (loss)	**1,447**	**-2**	**-**	**-1**	**-47**	**-50**	**1,397**
330. Minority interests	-45	2	-	1	47	50	5
340. Parent Company's net income (loss)	**1,402**	**-**	**-**	**-**	**-**	**-**	**1,402**

(*) Historic data originally published in the 2011 Half-yearly Report. The Consolidated Income Statement as at 30 June 2011 remains unchanged in compliance with IFRS 3 and IFRS 5 since there were neither adjustments to acquisition costs related to merging transactions nor newly classified discontinued operations in the caption "Income (Loss) after tax from discontinued operations".

(a) 2011 income statement results of the 96 branches sold to Crédit Agricole in the first half of 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

(b) 2011 income statement results of Fideuram Bank Suisse, sold in June 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

(c) 2011 income statement results of Banca Sara, acquired by Banca Fideuram in June 2011 and subsequently the subject of total spin-off to Banca Fideuram and Sanpaolo Invest SIM, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

(d) 2011 income statement results of Banca Monte Parma, acquired in July 2011, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

Reconciliation between the consolidated income statement as at 30 June 2012 and the restated consolidated income statement as at 30 June 2012

Since no restatements have been made, please see the financial statements.

Restated consolidated financial statements

Restated consolidated balance sheet

Since no restatements have been made, please see the financial statements.

Restated consolidated income statement

(millions of euro)

	First half 2012 restated	First half 2011 restated	Changes amount	Changes %
10. Interest and similar income	10,018	9,219	799	8.7
20. Interest and similar expense	-4,170	-3,647	523	14.3
30. Interest margin	**5,848**	**5,572**	**276**	**5.0**
40. Fee and commission income	3,185	3,194	-9	-0.3
50. Fee and commission expense	-709	-630	79	12.5
60. Net fee and commission income	**2,476**	**2,564**	**-88**	**-3.4**
70. Dividend and similar income	314	376	-62	-16.5
80. Profits (Losses) on trading	277	167	110	65.9
90. Fair value adjustments in hedge accounting	-4	-29	-25	-86.2
100. Profits (Losses) on disposal or repurchase of	468	475	-7	-1.5
a) loans	*1*	*12*	*-11*	*-91.7*
b) financial assets available for sale	*206*	*457*	*-251*	*-54.9*
c) investments held to maturity	*-3*	*-1*	*2*	
d) financial liabilities	*264*	*7*	*257*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	714	-109	823	
120. Net interest and other banking income	**10,093**	**9,016**	**1,077**	**11.9**
130. Net losses / recoveries on impairment	-1,959	-1,444	515	35.7
a) loans	*-1,843*	*-1,393*	*450*	*32.3*
b) financial assets available for sale	*-68*	*-86*	*-18*	*-20.9*
c) investments held to maturity	*-*	*-1*	*-1*	
d) other financial activities	*-48*	*36*	*-84*	
140. Net income from banking activities	**8,134**	**7,572**	**562**	**7.4**
150. Net insurance premiums	2,857	5,669	-2,812	-49.6
160. Other net insurance income (expense)	-4,164	-6,089	-1,925	-31.6
170. Net income from banking and insurance activities	**6,827**	**7,152**	**-325**	**-4.5**
180. Administrative expenses	-4,490	-4,531	-41	-0.9
a) personnel expenses	*-2,771*	*-2,796*	*-25*	*-0.9*
b) other administrative expenses	*-1,719*	*-1,735*	*-16*	*-0.9*
190. Net provisions for risks and charges	-79	-104	-25	-24.0
200. Net adjustments to / recoveries on property and equipment	-187	-183	4	2.2
210. Net adjustments to / recoveries on intangible assets	-341	-348	-7	-2.0
220. Other operating expenses (income)	249	237	12	5.1
230. Operating expenses	**-4,848**	**-4,929**	**-81**	**-1.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	18	-128	146	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	3	176	-173	-98.3
280. Income (Loss) before tax from continuing operations	**2,000**	**2,271**	**-271**	**-11.9**
290. Taxes on income from continuing operations	-689	-874	-185	**-21.2**
300. Income (Loss) after tax from continuing operations	**1,311**	**1,397**	**-86**	**-6.2**
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**1,311**	**1,397**	**-86**	**-6.2**
330. Minority interests	-37	5	-42	
340. Parent Company's net income (loss)	**1,274**	**1,402**	**-128**	**-9.1**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	30.06.2012	31.12.2011
Financial assets held for trading		66,080	59,963
	Caption 20 - Financial assets held for trading	*66,080*	*59,963*
Financial assets designated at fair value through profit and loss		37,842	34,253
	Caption 30 - Financial assets designated at fair value through profit and loss	*37,842*	*34,253*
Financial assets available for sale		88,408	68,777
	Caption 40 - Financial assets available for sale	*88,408*	*68,777*
Investments held to maturity		2,222	2,621
	Caption 50 - Investments held to maturity	*2,222*	*2,621*
Due from banks		35,826	35,865
	Caption 60 - Due from banks	*35,826*	*35,865*
Loans to customers		374,953	376,744
	Caption 70 - Loans to customers	*374,953*	*376,744*
Investments in associates and companies subject to joint control		2,795	2,630
	Caption 100 - Investments in associates and companies subject to joint control	*2,795*	*2,630*
Property, equipment and intangible assets		20,341	20,577
	Caption 120 - Property and equipment	*5,511*	*5,536*
	+ Caption 130 - Intangible assets	*14,830*	*15,041*
Tax assets		13,313	14,702
	Caption 140 - Tax assets	*13,313*	*14,702*
Non-current assets held for sale and discontinued operations		27	26
	Caption 150 - Non-current assets held for sale and discontinued operations	*27*	*26*
Other assets		24,610	23,063
	Caption 10 - Cash and cash equivalents	*4,150*	*4,061*
	+ Caption 160 - Other assets	*8,619*	*8,602*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*15*	*15*
	+ Caption 80 - Hedging derivatives	*11,708*	*10,248*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*118*	*137*
Total Assets	**Total Assets**	**666,417**	**639,221**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2012	31.12.2011
Due to banks		83,617	78,644
	Caption 10 - Due to banks	*83,617*	*78,644*
Due to customers and securities issued		365,639	357,410
	Caption 20 - Due to customers	*205,849*	*197,165*
	+ Caption 30 - Securities issued	*159,790*	*160,245*
Financial liabilities held for trading		54,921	48,740
	Caption 40 - Financial liabilities held for trading	*54,921*	*48,740*
Financial liabilities designated at fair value through profit and loss		24,854	22,653
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*24,854*	*22,653*
Tax liabilities		2,931	4,064
	Caption 80 - Tax liabilities	*2,931*	*4,064*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*-*
Other liabilities		28,811	24,225
	Caption 100 - Other liabilities	*16,944*	*13,963*
	+ Caption 60 - Hedging derivatives	*9,851*	*8,576*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*2,016*	*1,686*
Technical reserves		52,310	50,761
	Caption 130 - Technical reserves	*52,310*	*50,761*
Allowances for specific purpose		4,678	4,966
	Caption 110 - Employee termination indemnities	*1,316*	*1,338*
	Caption 120 - Allowances for risks and charges	*3,362*	*3,628*
Share capital		8,546	8,546
	Caption 190 - Share capital	*8,546*	*8,546*
Reserves (net of treasury shares)		40,882	49,982
	Caption 170 - Reserves	*9,963*	*13,843*
	Caption 180 - Share premium reserve	*30,934*	*36,143*
	– Caption 200 - Treasury shares	*-15*	*-4*
Valuation reserves		-2,704	-3,298
	Caption 140 - Valuation reserves	*-2,704*	*-3,298*
Minority interests		658	718
	Caption 210 - Minority interests	*658*	*718*
Net income (loss)		1,274	-8,190
	Caption 220 - Net income (loss)	*1,274*	*-8,190*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**666,417**	**639,221**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.06.2012	30.06.2011 restated
Net interest income		4,932	4,760
	Caption 30 - Interest margin	*5,848*	*5,572*
	- Caption 30 (partial) - Contribution of insurance business	*-1,100*	*-995*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*16*	*26*
	- Caption 30 (partial) - Interest margin (Fiscal settlement)	*4*	*-*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*25*	*37*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*193*	*175*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-46*	*-45*
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	*-8*	*-10*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		55	41
	Caption 70 - Dividend and similar income	*314*	*376*
	- Caption 70 (partial) - Contribution of insurance business	*-52*	*-58*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-234*	*-292*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*27*	*15*
Net fee and commission income		2,639	2,805
	Caption 60 - Net fee and commission income	*2,476*	*2,564*
	- Caption 60 (partial) - Contribution of insurance business	*170*	*248*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-7*	*-7*
Profits (Losses) on trading		877	821
	Caption 80 - Profits (Losses) on trading	*277*	*167*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-4*	*-29*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*206*	*457*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*264*	*7*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*714*	*-109*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*234*	*292*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-25*	*-37*
	- Caption 80 (partial) - Contribution of insurance business	*-789*	*73*
Income from insurance business		453	285
	Caption 150 - Net insurance premiums	*2,857*	*5,669*
	+ Caption 160 - Other net insurance income (expense)	*-4,164*	*-6,089*
	+ Caption 30 (partial) - Contribution of insurance business	*1,100*	*995*
	+ Caption 60 (partial) - Contribution of insurance business	*-170*	*-248*
	+ Caption 70 (partial) - Contribution of insurance business	*52*	*58*
	+ Caption 80 (partial) - Contribution of insurance business	*789*	*-73*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-11*	*-27*
Other operating income (expenses)		-12	8
	Caption 220 - Other operating income (expenses)	*249*	*237*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-5*	*-7*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-262*	*-222*
	- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)	*6*	*-*
Operating income		**8,944**	**8,720**
Personnel expenses		-2,709	-2,747
	Caption 180 a) - Personnel expenses	*-2,771*	*-2,796*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*16*	*4*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*46*	*45*
Other administrative expenses		-1,429	-1,487
	Caption 180 b) - Other administrative expenses	*-1,719*	*-1,735*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*16*	*12*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*7*	*7*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*262*	*222*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*5*	*7*
Adjustments to property, equipment and intangible assets		-312	-302
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-187*	*-183*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-341*	*-348*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*1*	*3*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*2*	*6*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*14*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-11*	*-11*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*210*	*231*
Operating costs		**-4,450**	**-4,536**
Operating margin		**4,494**	**4,184**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.06.2012	30.06.2011 restated
Operating margin		**4,494**	**4,184**
Net provisions for risks and charges		-71	-94
	Caption 190 - Net provisions for risks and charges	*-79*	*-104*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*8*	*10*
Net adjustments to loans		-2,055	-1,505
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*1*	*12*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-1,843*	*-1,393*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-193*	*-175*
	- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*27*	*12*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-48*	*36*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*1*	*3*
Net impairment losses on other assets		-98	-74
	+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	-27	-12
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-68*	*-86*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*	*-1*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*11*	*27*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-14*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	*-*	*-2*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	*-*	*-*
Profits (Losses) on investments held to maturity and on other investments		-8	33
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-3*	*-1*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*18*	*-128*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-27*	*-15*
	+ Caption 270 - Profits (Losses) on disposal of investments	*3*	*176*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*1*	*1*
Income (Loss) before tax from continuing operations		**2,262**	**2,544**
Taxes on income from continuing operations		-778	-960
	Caption 290 - Taxes on income from continuing operations	*-689*	*-874*
	+ Caption 30 (partial) - Interest margin (Fiscal settlement)	*-4*	*-*
	+ Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)	*-6*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-11*	*-7*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-68*	*-79*
Charges (net of tax) for integration and exit incentives		-24	-16
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-16*	*-4*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-16*	*-12*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)	*-1*	*-3*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-2*	*-6*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	*-*	*2*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*11*	*7*

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.06.2012	30.06.2011 restated
Effect of purchase price allocation (net of tax)		-149	-171
	+ *Caption 30 (partial) - Interest margin (Effect of purchase price allocation)*	*-16*	*-26*
	+ *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)*	*11*	*11*
	+ *Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)*	*-210*	*-231*
	+ *Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*-1*	*-3*
	+ *Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)*	*-1*	*-1*
	+ *Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)*	*68*	*79*
Goodwill impairment (net of tax)		-	-
	Caption 260 - Goodwill impairment	-	-
Income (Loss) after tax from discontinued operations		-	-
	Caption 310 - Income (Loss) after tax from discontinued operations	-	-
Minority interests		-37	5
	Caption 330 - Minority interests	*-37*	*5*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**1,274**	**1,402**

Glossary

GLOSSARY

The definition of certain technical terms is provided below, in the meaning adopted in the "Report" and with exclusion of the terms today widely used in the Italian language or which are used in a context that already clarifies their meaning

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Ratings-Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. With the Advanced Approach, banks use their own internal estimates for all inputs (PD, LGD, EAD and Maturity) used for credit risk assessment, whereas for Foundation IRB they only estimate PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT- A - Alternative A Loan
Residential mortgages generally of "prime" category, but which, due to various factors such as LTV ratio, documentation provided, borrower's income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as "Alt-A".

ALT-A Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

Alternative investment
Alternative investments comprise a wide range of investment products, including *private equity* and *hedge funds* (see definitions below).

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (*mandated lead arranger, joint lead arranger, sole arranger etc.*) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (*internal audit*) and independent audit firms (*external audit*).

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (*front office*).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See *Lead manager* and *Joint lead manager*.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting principles with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with international accounting standard IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, CAGR is calculated as follows: (Ending value/Starting value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): The riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): The tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.
Senior/Super-senior Tranche (B): The tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to "networks" or companies that operate in the exclusive interest of their parent company or group.

Carry trade
The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Categories of financial instruments provided for by IAS 39
Financial assets "held-for-trading", which includes the following: any asset acquired for the purpose of selling it in the near term or part of portfolios of instruments managed jointly for the purpose of short-term profit-taking, and assets that the entity decides in any case to measure at fair value, with fair value changes recognized in profit and loss; *financial assets "held-to-maturity",* non-derivative assets with fixed term and fixed or determinable payments, that an entity intends and is able to hold to maturity; "*Loans and receivables",* non-derivative financial assets with fixed or determinable payments not quoted in an active market; *financial assets "available-for-sale",* specifically designated as such, or, to a lesser extent, others not falling under the previous categories.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).

In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Commercial paper
Short-term notes issued in order to collect funds from third party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the market interest rate.

Core Tier 1 ratio
The ratio of *Tier 1 capital*, net of excluded instruments (*preference shares and savings shares*), to total risk-weighted assets. *Preferred shares* are innovative capital instruments, usually issued by foreign subsidiaries, and included in the tier 1 capital if their characteristics ensure the banks' asset stability. The Tier 1 ratio is the same ratio inclusive of the preferred shares in the numerator.

Corporate
Customer segment consisting of medium- and large-sized companies (*mid-corporate, large corporate*).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Insurance Portfolio)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

CR01
Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

CreditVaR
Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk propensity.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRP (Country Risk Premium)
Expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a given country (namely the risk associated with financial, political and monetary instability).

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
(d) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
(e) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess both linear and non-linear risk factors.

Desk
It usually designates an operating unit dedicated to a particular activity.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

EAD – Exposure At Default
Relating to positions on or off balance sheet, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area.

Equity hedge / long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivatives contracts involving securities or market indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (equity risk premium)
Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

EVA (Economic Value Added)
An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

Expected loss
Amount of losses on loans or receivables that an entity could sustain over a holding period of one year. Given a portfolio of loans and receivables, the expected loss represents the average value of the distribution of losses.

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)
The Fair Value Option is one option for classifying a financial instrument.
When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Forward Rate Agreement
See "*Forwards*".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering quotas to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge fund
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

Hybrid instruments included in Tier 1 capital
Financial instruments that may be included in Tier 1 capital up to specific limits when the funding raised is available on an ongoing basis and there is an ability to absorb losses that fully guarantees the bank's capital stability. Such instruments may be classified as innovative or non-innovative depending on whether there are incentives for early redemption by the issuer (e.g., step-up clauses).

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)
Process adopted to determine the amount of capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life
- goodwill acquired in a business combination
- any asset, if there is any indication of impairment losses.

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in the portfolio of performing loans and constitutes the basic indicator for determining the size of the stock of collective adjustments to be set aside in the financial statements.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

Index-linked life insurance policies
Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke – g
Difference between the discounting rate for cash flows and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Lambda (λ)
Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LDA - Loss Distribution Approach
It is a model used to assess exposure to operational risk. It makes it possible to estimate the amount of expected and unexpected loss for any event/loss combination and any *business line*.

Lead manager - Bookrunner
The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Leveraged & acquisition finance
See "*Acquisition finance*".

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Loss Given Default (LGD)
It indicates the estimated loss rate in the event of borrower default.

Lower Tier 2
It designates subordinated liabilities that meet the eligibility criteria for inclusion in supplementary (Tier 2) capital.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

Macro-hedging
Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Mark-down
Difference between 1-month euribor and the rate applied to current accounts of households and businesses.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (*call option*) or to sell (*put option*) a financial instrument at a set price (*strike price*) within (*American option*) or on (*European option*) a given future date.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal

amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due and/or overdue on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "*Syndicated lending*".

Preferred shares
See "*Core Tier 1*".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate *swap*, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Tier 1
Core capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first-time–adoption reserve other than those included under valuation reserves), and excludes treasury shares and intangible assets. Consolidated Tier 1 capital also includes minority interest.

Tier 2
Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature; the positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted". Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50 per cent of "items to be deducted".

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Upper Tier 2
Hybrid capital instruments (e.g., perpetual loans) that make up the highest quality elements of Tier 2 capital.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "*Asset management*".

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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Financial calendar

Approval of results as at 30 September 2012:	13 November 2012

PRESTAMPA E STAMPA: AGEMA CORPORATION - ITALIA

STAMPATO SU CARTA ECOLOGICA RICICLATA FSC CON INCHIOSTRI ECOCOMPATIBILI VEGETALI DA GRAFICHE AGEMA S.P.A. ITALIA - SOCIETÀ CERTIFICATA PER LO SVILUPPO ECOSOSTENIBILE.

Capacità di sviluppare nuove soluzioni, attenzione e dialogo costante con le famiglie, le imprese, il terzo settore e gli enti sono alla base dell'impegno di Intesa Sanpaolo per contribuire alla crescita del Paese.
Un ruolo che interpretiamo con professionalità, senso di responsabilità e passione, offrendo prodotti e servizi innovativi e personalizzati e condividendo i progetti dei nostri clienti.
Nasce così la scelta di raccontarci attraverso le storie vitali e positive dei clienti rappresentandone, attraverso le immagini, i progetti realizzati, lo spirito di iniziativa, la determinazione e la capacità imprenditoriale.

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Novamont S.p.A., Novara (NO)

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