1.1. CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, with the aim of detecting any symptoms of imbalance and promoting corrective measures geared towards preventing possible deterioration of the relationship in a timely manner.

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

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the Corporate Bodies is reflected in the current organisational structure, which identifies four important areas of central responsibility, in addition to the business units:
- the Chief Lending Officer;
- the Chief Risk Officer;
- the Chief Operating Officer; and
- the Chief Financial Officer.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.

The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and functionally coordinates the recovery of doubtful loans by Intesa Sanpaolo Group Services through the Loan Recovery Department, sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group's various functions/structures.

The Chief Risk Officer is responsible for adapting the Risk Appetite Framework to the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP), RWA and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers, implements credit controls, including rating controls, and constantly monitors risk and credit quality performance.

Intesa Sanpaolo Group Services provides specialised operating support for loan recovery activity and in defining credit processes while ensuring cost and performance synergies in the service offered.

In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives and coordinates the process of assessing loans for reporting purposes. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.

The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/Banking group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.

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

The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.

The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which 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.

A number of rating models are used for the Corporate segment:

– models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
– specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition-finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:

– a quantitative module that processes financial and behavioural data;
– a qualitative module that requires the manager to fill in a questionnaire;
– an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

Ratings are generally assigned on a decentralised basis by the Manager, who is the main figure in the process of assigning a rating to a counterparty. Any improvement override proposals are validated by a Specialist Unit allocated to the Parent Company, within the Chief Lending Officer's staff. The Specialist Unit is responsible for, among other duties, the task of assigning what are known as "centralised ratings" provided for in the rating assignment processes according to the corporate method and of intervening in the calculation of ratings with specialist models.

The models applied to the Retail portfolio are as follows:

– for the Small Business segment, since the end of 2008 a Group rating model by counterparty has been used, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of Micro and Core customers according to criteria of size, simplicity, and a partial automation of the granting process This required an adjustment of the rating model, which was divided into the two above-mentioned sub-segments, taking advantage of the opportunity to update the data sources and historical series used in development;
– for the Retail Mortgage segment (residential mortgages for private individuals), the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
– a class of models is gradually being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.

The rating model for the Sovereign portfolio supports the assignment of an assessment of creditworthiness for over 260 countries. The structure of the model involves:

– a quantitative module for assessing country risk, which takes account of the structural rating assigned by the major international agencies, the risk implicit in market quotations of sovereign debt, a macroeconomic assessment of countries identified as strategic and the international scenario;
– a qualitative opinion component, for which the Sovereign Rating Working Group is responsible, supplementing the qualitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of individual sovereign countries.

The framework is completed by the models for the Public Entities portfolio, the Banks model, broken down into countries at risk and countries not at risk, and experience-based models for counterparties belonging to the Non Banking Financial Institutions portfolio.

The LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group. LGD is estimated based on the losses measured for a population of closed defaults over an extensive period of observation (ten-year historical series) through econometric multivariate analysis models. LGD is determined according to differentiated models, specialised by operating segment (Corporate, SME Retail, Mortgage, Factoring and Leasing).

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective from June 2010 report, while rating models for the SME Retail received authorisation for transition to the IRB approach effective from December 2012 report. The rating models for the Corporate segment received authorisation for the use of the AIRB approach to calculate capital requirements effective from 31 December 2010 reporting date (the FIRB approach had been used since December 2008), while the LGD Corporate models for Leasing and Factoring products received authorisation for transition to the AIRB approach effective from June 2012 report.

For information about the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 2 Project.

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

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

Ratings and mitigating credit factors (guarantees, types of loan products/lending facilities and covenants) play a fundamental role in the loan granting andmonitoring process and contribute to setting the Credit Powers and Granting and Monitoring Rules. The Credit Quality Monitoring Unit oversees the above aspects at the Group level, through specific, extensive control and monitoring activities. However, these activities are part of a broader system of credit controls that the Unit implements directly and coordinates with the aid of the cutting-edge information technology tools which are also made available to the business units for their respective areas of responsibility, in part, to the extent within their respective purviews, by Division departments. Examples of such tools include the Ermes - Rating Controls application, a tool that allows rating control activities to be managed by computer, and the Credit Monitoring Portal.
This latter application, which has been in use since 2010 and receives input from the Credit Control Panel, is the Group's primary source in supporting the monitoring of the loan portfolio in terms of its development over time and quantitative and qualitative composition as well as the loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
In this context, the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level, enjoy access to "information" dashboards that provide a full, structured report prepared with the aim of:
- providing a structured, navigable overview of the phenomenon under review;
- reducing the time required to search for and process the information;
- facilitating the identification of critical areas and the definition of priority actions;
- supporting the exchange of information between units on a consistent basis.

The aforementioned tools are subject to constant maintenance performed by the Credit Quality Monitoring Unit, which from a developmental standpoint aims to ensure that the set of information available is expanded through the creation of new dashboards for controlling and monitoring general phenomena and/or specific aspects of the lending process.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of transfer risk due to the freezing of international payments and is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is assessed in the context of the granting of credit to non-resident entities in order to arrive at a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. Such limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, defined on an annual basis as the result of an exercise aimed at optimising the risk implicit in the Group's cross-border lending operations.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group adopts at the moment the Current Exposure Method (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements. Potential exposure (estimated with the actual average PFE – potential future exposure) has been adopted by Banca IMI (effective from October 2010) and the Parent Company, Intesa Sanpaolo (effective from April 2012), for the purposes of operational measurement of uses.
For the rest of the Group, the definition of the use of the credit lines for transactions in OTC derivatives involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements.
Add-ons indicate the maximum potential future exposure (peak measurement), regularly estimated by the Risk Management Department by macro-product type and maturity. For each contract used as a benchmark, the measure is equal to the peak in the Potential Future Exposure at the 95th percentile.
The validation process for regulatory purposes (in view of Basel 3) of the internal counterparty risks model for Intesa Sanpaolo and Banca IMI was initiated in 2012.
The advanced measurement approach for counterparty risk is in the development phase for the network banks, with the aim of launching the validation process for regulatory purposes by the end of 2013.

In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 3, a specific project has been set up aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time. The organisational functions involved, as described in the Bank's internal regulations, are:
- the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
- the central and divisional credit functions that use the measurements produced to monitor the positions assumed;
- the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

The project yielded the following results:
- April 2010: adoption for the entire Group of a new grid of operational add-ons that is more granular than its predecessor, with a revision of estimates for each risk profile;
- October 2010: adoption for management purposes only of the new simulation method and a new statistical measurement - Potential Future Exposure (PFE) – for measuring credit lines utilisation on non-collateralised derivatives by Banca IMI;
- April 2012 – adoption for management purposes only of PFE for calculating credit lines utilisation for non-collateralised

derivatives by the Parent Company, Banca Intesa Sanpaolo; the measurement will also be extended to collateralised derivatives in the first few months of 2013;
- October 2012: re-estimation of add-ons on interest-rate derivatives;
- November 2012: extension of the PFE measurement to the collateralised derivatives of Banca IMI.

As part of the project, following internal validation by the responsible company functions (Internal Validation and the Internal Auditing Department), plans call for an application for validation to be submitted for the Parent Company, Intesa Sanpaolo, and Banca IMI in 2013, with the aim of obtaining authorisation for the use of the model for regulatory purposes.
For the rest of the Group, use is monitored through the combined use of mark-to-market and add-ons estimated by the Risk Management Department.

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.

The Group dedicates special attention to assessing concentration risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks" and to credit lines subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Techniques for the mitigation of credit risk
Mitigation techniques are adopted in order to reduce the loss given default. They include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present. The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the loan granting and monitoring process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:
- all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
- for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
- the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.

The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts according to the intended use of the property.
Assets are appraised by internal and external technicians. The external technicians are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties secured by mortgages to private individuals is mainly assigned to specialised companies. The work of the experts is monitored on an ongoing basis, by means of statistical verifications and spot checks carried out centrally.
The technicians are required to produce estimates on the basis of standardised expert technical reports, differentiated according to

the valuation method to be applied and the characteristics of the asset, in accordance with the Property Valuation Code prepared by the Bank. Il contenuto del "codice" interno è coerente con le "Linee Guida per la valutazione degli immobili in garanzia delle esposizioni creditizie" promosse da ABI.
Property valuations are managed through a specific integrated platform (the Appraisals Portal) covering the entire technical analysis phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
The market value of collateral property is recalculated periodically through various statistical valuation methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
Guarantees are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support application verifies whether guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.
In 2012 a series of measures were completed with the aim of ensuring data quality and the recovery of eligibility for certain forms of protection.

To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Market Repurchase Agreement).

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after their granting, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the regulations envisaged by the Basel Accords and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
The information presented in the following chapters, in continuity with the contents of financial statements from previous years relating to financial restructuring transactions and, more generally, the renegotiation of credit exposures, also takes account of the instructions provided by the European Securities and Markets Authority (ESMA) in the document published in December, "Public Statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions."
These assets are measured in accordance with the criteria and methods illustrated in Part A.2 – Accounting Policies, Main financial statement captions, Loans, to which specific reference should be made.
With reference to loans past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
On the subject of doubtful loans, it should be remarked that effective from the second half of 2010 the Group adopted an organisational model based on the specialisation of management competencies between internal and external structures, calling for the positions of greatest significance and complexity to be handled internally. In particular, this model calls for:

- the attribution to the Loan Recovery Department of Intesa Sanpaolo Group Service of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo and almost all banks within the Banca dei Territori Division) of customers classified as doubtful effective from July 2010 showing exposures in excess of a pre-determined threshold amount;
- the attribution to Italfondiario S.p.A. (for Intesa Sanpaolo and almost all banks within the Banca dei Territori Division) of direct management – under a specific mandate, and with pre-defined limits – of customers classified as doubtful effective from July 2010 showing exposures below the aforementioned threshold amount (the activity of Italfondiario is always coordinated and monitored by the Loan Recovery Department);
- the option, in special cases, not to entrust Italfondiario S.p.A. with the management of certain types of loans;
- the retention of management competency, defined according to the previous organisational model, between the Loan Recovery Department and Italfondiario for doubtful loans existing as at 30 June 2010;
- for doubtful positions of limited amounts, routine factoring without recourse to third-party companies on a monthly basis when they are classified as doubtful, with some specific exceptions.

The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted directly to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans is reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
The activity of Italfondiario in managing the loans entrusted to it under management mandate was monitored by the responsible internal units of the Group. In particular, it should be noted that the individual measurement of loans has been conducted using

similar procedures to those established for the internal management of positions, and the other management activities are subject to the guidelines similar to those established for the internally managed positions.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery. Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to past-due loans, identified at the Group level, as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
Automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various intermediaries are subject to the required uniform convergence of management aims. Significance is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.

The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "past-due loans" are restored to performing status automatically when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal instructions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

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

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

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

(millions of euro)

	Banking group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	4	81	38	23	60,666	-	972	61,784
2. Financial assets available for sale	2	-	-	4	50,541	-	41,819	92,366
3. Investments held to maturity	-	-	-	-	2,147	-	-	2,147
4. Due from banks	37	-	-	4	35,956	-	535	36,532
5. Loans to customers	11,203	11,494	2,863	2,912	347,033	-	1,119	376,624
6. Financial assets designated at fair value through profit and loss	-	7	-	-	987	-	22,891	23,885
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	11,651	-	-	11,651
Total 31.12.2012	**11,246**	**11,582**	**2,901**	**2,943**	**508,981**	**-**	**67,336**	**604,989**
Total 31.12.2011	**9,079**	**9,182**	**3,439**	**1,156**	**484,878**	**-**	**62,728**	**570,462**

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

(millions of euro)

	Non-performing assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	192	-46	146	X	X	60,666	60,812
2. Financial assets available for sale	6	-	6	50,541	-	50,541	50,547
3. Investments held to maturity	-	-	-	2,149	-2	2,147	2,147
4. Due from banks	123	-82	41	35,975	-19	35,956	35,997
5. Loans to customers	49,672	-21,200	28,472	349,623	-2,590	347,033	375,505
6. Financial assets designated at fair value through profit and loss	7	-	7	X	X	987	994
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	11,651	11,651
Total A	**50,000**	**-21,328**	**28,672**	**438,288**	**-2,611**	**508,981**	**537,653**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	972	972
2. Financial assets available for sale	-	-	-	41,819	-	41,819	41,819
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	535	-	535	535
5. Loans to customers	-	-	-	1,119	-	1,119	1,119
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	22,891	22,891
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**43,473**	**-**	**67,336**	**67,336**
Total 31.12.2012	**50,000**	**-21,328**	**28,672**	**481,761**	**-2,611**	**576,317**	**604,989**
Total 31.12.2011	**42,077**	**-19,221**	**22,856**	**459,726**	**-3,178**	**547,606**	**570,462**

In accordance with regulations, "Individual adjustments" include the impairment losses recognised to account for counterparty risk ("credit risk adjustment") on non-performing derivative contracts in the amount of 46 million euro (33 million euro as at 31 December 2011).
Within performing exposures, as at 31 December 2012, exposures renegotiated under collective agreements amounted to 8,103 million euro in gross terms and 8,026 million euro in net terms. Such renegotiations, agreed to in the cases of borrowers not classified amongst non-performing loans, entail, at least, the maintenance of the original rate of return and a maximum extension of contractual expiry of 36 months, and thus do not generate losses for the Group. Other performing exposures thus came to 473,658 million euro in gross terms and 568,291 million euro in net terms.
Other performing exposures include 3,706 million euro in assets past due by up to three months, 334 million euro in assets past due by more than three months but less than six months and 740 million euro in assets past due by more than six months. The share of the debt associated with those assets not yet past due came to 5,478 million euro, 1,160 million euro and 1,800 million euro, respectively.

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	120	-82	X	38
b) Substandard loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	9	-	X	9
e) Other assets	43,296	X	-19	43,277
TOTAL A	**43,425**	**-82**	**-19**	**43,324**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1	-	X	1
b) Other	94,827	X	-21	94,806
TOTAL B	**94,828**	**-**	**-21**	**94,807**
TOTAL (A + B)	**138,253**	**-82**	**-40**	**138,131**

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

Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**152**	**1**	**-**	**3**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**-**	**-**	**-**	**11**
B.1 inflows from performing exposures	-	-	-	11
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-32**	**-1**	**-**	**-5**
C.1 outflows to performing exposures	-	-	-	-3
C.2 write-offs	-	-	-	-
C.3 repayments	-26	-1	-	-2
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-
C.6 other decreases	-6	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**120**	**-**	**-**	**9**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**85**	**-**	**-**	**1**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**3**	**-**	**-**	**-**
B.1 impairment losses	3	-	-	-
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-6**	**-**	**-**	**-1**
C.1 recoveries on impairment losses	-3	-	-	-1
C.2 recoveries on repayments	-	-	-	-
C.2bis profits on disposal	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-3	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**82**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-

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

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	28,365	-17,159	X	11,206
b) Substandard loans	14,486	-2,985	X	11,501
c) Restructured exposures	3,586	-723	X	2,863
d) Past due exposures	3,249	-332	X	2,917
e) Other assets	415,515	X	-2,592	412,923
TOTAL A	**465,201**	**-21,199**	**-2,592**	**441,410**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,520	-194	X	1,326
b) Other	121,658	X	-272	121,386
TOTAL B	**123,178**	**-194**	**-272**	**122,712**
TOTAL (A + B)	**588,379**	**-21,393**	**-2,864**	**564,122**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.
Restructured exposures include 241 million euro associated with pool transactions (IBLOR structures) undertaken by the Bank as fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 3,664 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 1,709 million euro.

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**24,966**	**11,486**	**4,032**	**1,319**
- of which exposures sold not derecognised	*23*	*24*	*-*	*8*
B. Increases	**8,516**	**13,947**	**873**	**10,229**
B.1 inflows from performing exposures	457	6,662	99	9,168
B.2 transfers from other non-performing exposure categories	6,592	5,607	528	242
B.3 other increases	1,334	1,678	246	819
B.4 business combinations	133	-	-	-
C. Decreases	**-5,117**	**-10,947**	**-1,319**	**-8,299**
C.1 outflows to performing exposures	-138	-1,456	-57	-2,754
C.2 write-offs	-2,425	-99	-96	-6
C.3 repayments	-1,176	-1,648	-406	-700
C.4 credit disposals	-396	-46	-	-
C.5 transfers to other non-performing exposure categories	-378	-7,121	-714	-4,756
C.6 other decreases	-604	-577	-46	-83
C.7 business combinations	-	-	-	-
D. Final gross exposure	**28,365**	**14,486**	**3,586**	**3,249**
- of which exposures sold not derecognised	*34*	*27*	*-*	*13*

The "other increases" mainly include the application of overdue interest, collections of loans derecognised in full (through "repayments") and increases in balances for charges and the revaluation of positions in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of losses on disposal, with respect to the share not covered by the provision, and the decrease in balances in foreign currency due to changes in the exchange rate.

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**15,963**	**2,360**	**607**	**172**
- of which exposures sold not derecognised	*5*	*3*	*-*	*-*
B. Increases	**5,417**	**2,945**	**466**	**675**
B.1 impairment losses	3,044	2,052	286	490
B.1bis losses on disposal	36	4	-	-
B.2 transfers from other non-performing exposure categories	1,429	607	135	36
B.3 other increases	835	282	45	149
B.4 business combinations	73	-	-	-
C. Decreases	**-4,221**	**-2,320**	**-350**	**-515**
C.1 recoveries on impairment losses	-657	-373	-24	-59
C.2 recoveries on repayments	-305	-95	-3	-6
C.2bis profits on disposal	-24	-5	-	-
C.3 write-offs	-2,425	-99	-96	-6
C.4 transfers to other non-performing exposure categories	-121	-1,556	-152	-378
C.5 other decreases	-689	-192	-75	-66
C.6 business combinations	-	-	-	-
D. Final total adjustments	**17,159**	**2,985**	**723**	**332**
- of which exposures sold not derecognised	*14*	*5*	*-*	*-*

The "other increases" mainly include the application of overdue interest, collections of loans derecognised in full (through "recoveries on repayments") and increases in balances of funds in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of collection of overdue interest applied in previous years, losses on disposal not covered by the provision and the decrease in the balances of funds in foreign currency due to changes in the exchange rate.

Conversion of loans into equity instruments
During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. The gross loans converted came to 111 million euro and were adjusted for 76 million euro. The equity instruments obtained were recognised at their fair value of approximately 20 million euro at the execution date and classified among assets available for sale. In addition, convertible loans of 41 million euro were converted into shares, recognised among Equity investments and written down to zero upon conversion.

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

A.2.1. Banking group - Breakdown of on- and off-balance sheet credit exposures by external rating classes
The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**7,715**	**52,253**	**61,023**	**4,566**	**11,685**	**29,215**	**320,762**	**487,219**
B. Derivatives	**603**	**2,687**	**5,324**	**247**	**416**	**173**	**4,553**	**14,003**
B.1. Financial derivatives	602	2,653	5,231	247	416	173	4,550	13,872
B.2. Credit derivatives	1	34	93	-	-	-	3	131
C. Guarantees given	**4,109**	**5,892**	**4,443**	**501**	**261**	**510**	**33,879**	**49,595**
D. Commitments to lend funds	**3,054**	**85,800**	**17,622**	**709**	**263**	**725**	**40,299**	**148,472**
E. Other	**-**	**-**	**2,232**	**-**	**-**	**-**	**-**	**2,232**
Total	**15,481**	**146,632**	**90,644**	**6,023**	**12,625**	**30,623**	**399,493**	**701,521**

It should be noted that the exposures presented in the table also include quotas of UCI of 2,485 million euro.
The following tables show the mapping of risk classes and the external ratings.

Mapping of long-term ratings issued by external rating agencies

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

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1 to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

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

Ratings for exposures to UCI

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1 to Ba3	from BBB+ to BB-	from BBB m/f to BB - m/f
5 and 6	B1 and lower	B+ and lower	B + m/f and lower

Standardised approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Standardised approach - Short-term ratings for exposures to securitisations

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

IRB approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	Aaa	AAA	AAA
2	Aa	AA	AA
3	A1	A+	A+
4	A2	A	A
5	A3	A-	A-
6	Baa1	BBB+	BBB+
7	Baa2	BBB	BBB
8	Baa3	BBB-	BBB-
9	Ba1	BB+	BB+
10	Ba2	BB	BB
11	Ba3	BB-	BB-
12	Ba3 and lower	BB- and lower	BB- and lower

IRB approach – Short -term ratings for exposures to securitisations

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
All other credit quality steps	lower than P-3	lower than F3	lower than A -3

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

As indicated above in the paragraph entitled "The Basel 2 Project" of Qualitative information, the Intesa Sanpaolo Group has a set of ratings that have been validated in respect of the portfolios Corporate, Specialised Lending, Retail Mortgages (residential mortgages for private individuals) and SME Retail.

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated exposures account for 15% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available (primarily personal loans to private parties and consumer credit), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

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

When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 71% of the total, whilst 19% fall within the BB+/BB- range (class 4) and 10% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**12,429**	**66,344**	**160,349**	**95,645**	**46,578**	**3,626**	**28,534**	**71,229**	**484,734**
B. Derivatives	**1,271**	**1,253**	**6,686**	**1,440**	**348**	**46**	**139**	**2,820**	**14,003**
B.1. Financial derivatives	1,271	1,248	6,592	1,440	348	46	139	2,788	13,872
B.2. Credit derivatives	-	5	94	-	-	-	-	32	131
C. Guarantees given	**6,989**	**11,003**	**16,263**	**6,426**	**1,789**	**84**	**497**	**6,544**	**49,595**
D. Commitments to lend funds	**4,037**	**84,100**	**28,029**	**6,850**	**2,941**	**330**	**691**	**21,494**	**148,472**
E. Other	**-**	**-**	**2,232**	**-**	**-**	**-**	**-**	**-**	**2,232**
Total	**24,726**	**162,700**	**213,559**	**110,361**	**51,656**	**4,086**	**29,861**	**102,087**	**699,036**

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

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

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**8,765**	**-**	**278**	***21***	**4,384**	**-**	**2,695**	**-**	**16,122**
COLLATERAL[(1)]									
Real estate assets	4	-	-	-	54	-	-	-	58
Mortgages	*-*	-	-	-	*54*	-	-	-	*54*
Financial leases	*4*	-	-	-	*-*	-	-	-	*4*
Securities	8,395	-	243	-	1	-	61	-	8,700
Other	14	-	-	-	4,304	-	2,429	-	6,747
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*83*	-	-	-	*162*	-	-	-	*245*
Other public entities	*35*	-	-	-	*-*	-	-	-	*35*
Banks	*1*	-	-	-	*5*	-	-	-	*6*
Other counterparties	*186*	-	*2*	*2*	*-*	-	*15*	-	*203*
TOTAL	**8,718**	**-**	**245**	***2***	**4,526**	**-**	**2,505**	**-**	**15,994**

(1) Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

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

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**202,258**	***18,372***	**16,877**	***2,268***	**15,328**	***596***	**2,404**	***95***	**236,867**
COLLATERAL[(1)]									
Real estate assets	353,803	***35,887***	2,240	***321***	7,867	***468***	261	***45***	364,171
Mortgages	*343,888*	***34,894***	*2,183*	***285***	*7,867*	***468***	*261*	***45***	*354,199*
Financial leases	*9,915*	***993***	*57*	***36***	*-*	-	*-*	-	*9,972*
Securities	19,720	*404*	1,976	*554*	765	*71*	204	*3*	22,665
Other	8,713	*671*	1,379	*318*	631	*10*	251	*8*	10,974
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*702*	*1*	*77*	*11*	*5*	-	-	-	*784*
Other public entities	*577*	*27*	*354*	*8*	*12*	-	*10*	-	*953*
Banks	*2,506*	*111*	*254*	*2*	*388*	*2*	*91*	*34*	*3,239*
Other counterparties	*35,928*	*4,555*	*4,338*	*482*	*7,721*	*151*	*486*	*9*	*48,473*
TOTAL	**421,949**	***41,656***	**10,618**	***1,696***	**17,389**	***702***	**1,303**	***99***	**451,259**

(1) Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

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

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2012	TOTAL 31.12.2011
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	1	5	-	5	73,764	73,775	-	-	-	5,330	5,330	79,105	52,024
Individual adjustments	-10	-2	-	-	X	-12	-	-	-	X	-	-12	-10
Collective adjustments	X	X	X	X	-12	-12	X	X	X	-1	-1	-13	-261
OTHER PUBLIC ENTITIES													
Net exposure	177	17	-	42	21,098	21,334	-	-	-	1,770	1,770	23,104	22,084
Individual adjustments	-64	-4	-	-1	X	-69	-	-	-	X	-	-69	-51
Collective adjustments	X	X	X	X	-44	-44	X	X	X	-3	-3	-47	-43
FINANCIAL INSTITUTIONS													
Net exposure	74	361	24	9	32,415	32,883	1	24	2	34,745	34,772	67,655	54,844
Individual adjustments	-301	-46	-4	-3	X	-354	-1	-	-	X	-1	-355	-422
Collective adjustments	X	X	X	X	-91	-91	X	X	X	-10	-10	-101	-127
INSURANCE COMPANIES													
Net exposure	-	-	-	-	1,478	1,478	-	-	-	1,507	1,507	2,985	4,618
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-4	-4	-6	-3
NON-FINANCIAL COMPANIES													
Net exposure	9,082	9,518	2,805	2,333	199,933	223,671	177	586	517	74,953	76,233	299,904	313,426
Individual adjustments	-14,074	-2,308	-684	-213	X	-17,279	-88	-60	-26	X	-174	-17,453	-15,275
Collective adjustments	X	X	X	X	-2,120	-2,120	X	X	X	-246	-246	-2,366	-2,567
OTHER COUNTERPARTIES													
Net exposure	1,872	1,600	34	528	84,235	88,269	5	9	5	2,153	2,172	90,441	92,387
Individual adjustments	-2,710	-625	-35	-115	X	-3,485	-17	-2	-	X	-19	-3,504	-3,531
Collective adjustments	X	X	X	X	-323	-323	X	X	X	-8	-8	-331	-410

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

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	9,668	-14,669	1,505	-2,231	11	-39	2	-22	20	-198
A.2. Substandard loans	10,213	-2,568	1,127	-376	54	-1	9	-3	98	-37
A.3. Restructured exposures	2,534	-677	166	-31	4	-1	148	-11	11	-3
A.4. Past due exposures	2,724	-270	153	-54	5	-	5	-	30	-8
A.5. Other exposures	343,249	-1,985	53,410	-504	9,295	-29	2,628	-12	4,341	-62
Total A	**368,388**	**-20,169**	**56,361**	**-3,196**	**9,369**	**-70**	**2,792**	**-48**	**4,500**	**-308**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	140	-61	37	-27	-	-	-	-1	5	-16
B.2. Substandard loans	592	-56	23	-5	-	-	-	-	5	-1
B.3. Other non-performing assets	515	-26	5	-1	-	-	-	-	4	-
B.4. Other exposures	53,557	-180	51,363	-72	14,231	-15	731	-2	576	-3
Total B	**54,804**	**-323**	**51,428**	**-105**	**14,231**	**-15**	**731**	**-3**	**590**	**-20**
TOTAL (A+B) 31.12.2012	**423,192**	**-20,492**	**107,789**	**-3,301**	**23,600**	**-85**	**3,523**	**-51**	**5,090**	**-328**
TOTAL 31.12.2011	**395,465**	**-18,754**	**105,463**	**-3,437**	**28,429**	**-108**	**4,634**	**-60**	**5,392**	**-341**

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

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	3,112	-4,691	2,084	-3,258	2,181	-2,979	2,291	-3,741
A.2. Substandard loans	3,679	-899	2,167	-478	2,166	-497	2,201	-694
A.3. Restructured exposures	1,466	-553	823	-80	168	-38	77	-6
A.4. Past due exposures	832	-72	471	-49	898	-78	523	-71
A.5. Other exposures	109,259	-730	57,665	-399	130,715	-456	45,610	-400
Total A	**118,348**	**-6,945**	**63,210**	**-4,264**	**136,128**	**-4,048**	**50,702**	**-4,912**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	41	-19	28	-13	54	-24	17	-5
B.2. Substandard loans	196	-13	111	-10	203	-14	82	-19
B.3. Other non-performing assets	366	-20	81	-3	55	-2	13	-1
B.4. Other exposures	18,577	-93	8,348	-29	23,241	-48	3,391	-10
Total B	**19,180**	**-145**	**8,568**	**-55**	**23,553**	**-88**	**3,503**	**-35**
TOTAL (A+B) 31.12.2012	**137,528**	**-7,090**	**71,778**	**-4,319**	**159,681**	**-4,136**	**54,205**	**-4,947**
TOTALE 31.12.2011	**139,578**	**-6,414**	**71,591**	**-3,949**	**129,829**	**-3,601**	**54,467**	**-4,790**

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

(millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	18	-7	20	-73	-	-	-	-2	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	5	-	-	-	4	-	-	-
A.5. Other exposures	13,400	-3	24,919	-9	2,139	-4	1,610	-3	1,209	-
Total A	**13,418**	**-10**	**24,944**	**-82**	**2,139**	**-4**	**1,614**	**-5**	**1,209**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	1	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	4,737	-1	78,248	-11	4,931	-1	1,493	-6	876	-2
Total B	**4,737**	**-1**	**78,249**	**-11**	**4,931**	**-1**	**1,493**	**-6**	**876**	**-2**
TOTAL (A+B) 31.12.2012	**18,155**	**-11**	**103,193**	**-93**	**7,070**	**-5**	**3,107**	**-11**	**2,085**	**-2**
TOTAL 31.12.2011	**23,302**	**-13**	**77,207**	**-97**	**7,682**	**-4**	**3,978**	**-16**	**2,155**	**-2**

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

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	18	-7	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	2,762	-2	1,761	-	8,327	-1	550	-
Total A	**2,780**	**-9**	**1,761**	**-**	**8,327**	**-1**	**550**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	681	-	655	-1	3,384	-	17	-
Total B	**681**	**-**	**655**	**-1**	**3,384**	**-**	**17**	**-**
TOTAL (A+B) 31.12.2012	**3,461**	**-9**	**2,416**	**-1**	**11,711**	**-1**	**567**	**-**
TOTAL 31.12.2011	**7,954**	**-10**	**3,821**	**-1**	**11,223**	**-2**	**304**	**-**

B.6. Large risks

Large risks	
a) Book value (millions of euro)	99,359
b) Weighted value (millions of euro)	9,185
b) Number	5

On the basis of regulatory provisions, the number of large risks presented in the table was determined by reference to unweighted "exposures" in excess of 10% of regulatory capital, where "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from regulatory capital) with a customer or a group of related customers, without applying weighting factors.
Such presentation criteria result in the inclusion in the financial statement table for large risks of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of capital valid for the purposes of large risks.
In addition, in light of regulatory clarification provided by the Supervisory Authority, exposures for transactions undertaken with central counterparties in OTC derivatives and SFTs, which under certain conditions may be set to zero when determining counterparty risk, are also to be reduced to zero for the purposes of large risks, effective from 2012 financial statements. Accordingly, in the above table they have been excluded from both the unweighted book value and the corresponding weighted value.

C. SECURITISATIONS AND ASSET SALES

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

C.1. Securitisations

Qualitative information

In 2012 the Group implemented new securitisations with similar characteristics (Conan Securitisation and Food & Beverages Securitisation) and restructured a transaction implemented in 2011 (Facility Services Securitisation). These transactions were conducted on portfolios of trade receivables purchased by the Intesa Sanpaolo Group from third parties. Risks of the portfolio of receivables, originated by primary customers and purchased by the Group without recourse, were subsequently securitised. Against receivables with a nominal value of approximately 295 million euro on the new transactions, numerous tranches of unrated securities were issued. For these transactions, the Group used the vehicles Trade Investment Receivable S.a.r.l., CorpEquity Capital S.a.r.l., Hermes Trade Receivables S.a.r.l. and the vehicle Duomo Funding Plc.

Quantitative information

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**7**	**7**	**152**	**152**	**83**	**79**
a) Non-performing	-	-	-	-	17	17
b) Other	7	7	152	152	66	62
B. Third party underlying assets	**5,004**	**4,997**	**434**	**429**	**25**	**25**
a) Non-performing	-	-	-	-	-	-
b) Other	5,004	4,997	434	429	25	25
Total	**5,011**	**5,004**	**586**	**581**	**108**	**104**

Part of the exposures shown in the table above has been included within the structured credit products: 2,198 million euro of gross exposures and 2,193 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,101**	**1,101**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	1,101	1,101 (1)	-	-	-	-
B. Third party underlying assets (*)	**15**	**15**	**-**	**-**	**-**	**-**	**1,558**	**1,558**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	15	15	-	-	-	-	1,558	1,558	-	-	-	-
TOTAL	**15**	**15**	**-**	**-**	**-**	**-**	**2,659**	**2,659**	**-**	**-**	**-**	**-**

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

(1) All referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**1**	**-**	**-**	**-2**	**22**	**-8**
A.1 Intesa Sec Npl						
- doubtful mortgages	-	-	-	*-2*	*17*	*-8*
A.2 Cr Firenze Mutui						
- performing mortgages	*1*	-	-	-	*5*	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**6**	**2**	**152**	**1**	**57**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	*109*	-	*29*	-
C.2 Da Vinci	-	-	-	-	-	-
- loans to the aircraft sector	*6*	*2*	*1*	*1*	-	-
C.3 Split 2 (*)	-	-	-	-	-	-
- performing leasing contracts	-	-	*11*	-	*18*	-
C.4 Facility Services Securitisations	-	-	-	-	-	-
- trade receivables	-	-	*3*	-	-	-
C.5 Electricity Securitisations	-	-	-	-	-	-
- trade receivables	-	-	*24*	-	*8*	-
C.6 Gas Securitisation	-	-	-	-	-	-
- trade receivables	-	-	*4*	-	*2*	-
TOTAL	**7**	**2**	**152**	**-1**	**79**	**-8**

(*) A securitisation vehicle not recorded under the Banking Group, but whose securitised assets are not derecognised by the Group entity originating the securitisation.

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

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-
A.1 Duomo Funding Plc.												
- trade receivables	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-	**1,101**	-	-	-	-	-
C.1 Duomo Funding Plc.												
- trade receivables	-	-	-	-	-	-	*1,101*	-	-	-	-	-
TOTAL	-	-	-	-	-	-	**1,101**	-	-	-	-	-

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

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Romulus (*)						
- Asset backed commercial papers'	*2,039*	-	-	-	-	-
A.2 Tevere Finance						
- exposures to Italian local authorities	*307*	*13*	-	-	-	-
A.3 TCWGP						
- Project Finance loans	*278*	-	-	-	-	-
A.4 Fondo Immobili Pubblici						
- Financial credits deriving from rental of properties to the public sector	*242*	*-4*	-	-	-	-
A.5 Posillipo Finance						
- Loans to the Italian health system	*178*	*-1*	-	-	-	-
A.6 Siena Mortgage						
- Residential mortgages	*127*	*1*	-	-	-	-
A.7 D'Annunzio						
- Loans to the Italian health system	*123*	-	-	-	-	-
A.8 Sunrise S.r.l.						
- Consumer credit	*89*	*1*	*20*	-	-	-
A.9 Duchess (**)						
- CLOs	*104*	*6*	-	-	-	-
A.10 Cordusio RMBS Securitisation						
- Residential mortgages	*67*	*1*	*33*	*1*	-	-
A.11 Berica Residential MBS S.r.l.						
- Residential mortgages	*91*	-	*8*	-	-	-
A.12 Nepri Finance S.r.l.						
- Residential mortgages	*97*	*6*	-	-	-	-
A.13 CLARIS Finance S.r.l.						
- Residential mortgages	*74*	*1*	-	-	-	-
A.14 Mecenate						
- Residential mortgages	*58*	-	-	-	-	-
A.15 TBRNA						
- Trust Preferred Securities	*54*	*29*	-	-	-	-
A.16 Vintage Finance						
- electric company receivables from the public sector	*52*	-	-	-	-	-
A.17 Residual portfolio divided in 415 securities (***)	*1,017*	*-8* (****)	*368*	*-3* (*****)	*25*	*-1*
TOTAL	**4,997**	**45**	**429**	**-2**	**25**	**-1**

(*) Romulus securities held in the Banking Group's portfolios are shown under third party securitisations, as these are ABCP issued by the vehicle partly for assets of the Banking Group and partly for risks originating from other economic operators, without distinction.

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

(***) Please note that 48 million euro included among "Residual portfolio divided in 415 securities" refers to single tranche securitisations, classified as Senior securities and not as exposures to securitisations for supervisory purposes.

(****) Of which -5 million euro related to securities included in packages.

(*****) Of which 2 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 415 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages (*)	392	-6	160	2	5	-1
Commercial mortgages	70	-	89	-5	-	-
CDO Cash	136	-	1	-	-	-
Loans deriving from leasing contracts	80	2	40	2	-	-
Financing for SMEs	73	1	46	-1	-	-
Other ABS (CLO-CMO-CFO) (*)	94	-5	6	-	-	-
Loans to the Italian health system	46	-	-	-	-	-
Loans to foreign public bodies	38	-	-	-	-	-
Public property	8	-	20	-1	-	-
Project finance loans	-	-	-	-	20	-
Commecial loans	20	-	-	-	-	-
Consumer credit	13	-	-	-	-	-
WL Collateral CMO	12	-	-	-	-	-
Loans to energy companies	9	-	-	-	-	-
Car loans	2	-	4	-	-	-
Credit cards	3	-	-	-	-	-
Personal loans	1	-	-	-	-	-
Other assets	20	-	2	-	-	-
TOTAL	**1,017**	**-8**	**368**	**-3**	**25**	**-1**

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

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A.1 Duomo - *ABCP Conduit transactions*	-	-	-	-	-	-	*1,497*	-	-	-	-	-
A.2 Romulus - *ABCP Conduit transactions*	*15*	-	-	-	-	-	*61*	-	-	-	-	-
Total	**15**	**-**	**-**	**-**	**-**	**-**	**1,558**	**-**	**-**	**-**	**-**	**-**

(*) In addition to that shown in the table, the Group's trading portfolio as at 31 December 2012 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 258 million euro.

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

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	1,250	131	2	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	12	3	16	-	-	-
Investments held to maturity	49	-	-	-	-	-
Loans (**)	3,687	295	29	1,573	-	-
Total 31.12.2012	**4,998**	**429**	**47**	**1,573**	**-**	**-**
Total 31.12.2011	**5,678**	**433**	**85**	**1,702**	**-**	**-**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 215 million euro. As at 31 December 2012, off-balance sheet exposures deriving from originated securitisations whose assets sold were not fully derecognised from balance sheet assets totalled 1,101 million euro.

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

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

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**963**	**-**
A.1 Fully derecognised	98	*X*
1. Doubtful loans	*29*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*1*	*X*
5. Other assets	*68*	*X*
A.2 Partly derecognised	-	*X*
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	865	-
1. Doubtful loans	*14*	-
2. Substandard loans	*7*	-
3. Restructured exposures	*-*	-
4. Past due exposures	*21*	-
5. Other assets	*823*	-
B. Third party underlying assets	**639**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	-	-
B.5. Other assets	639	-

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

Name	Direct ownership	Registered office	% Stake
Adriano Lease Sec S.r.l.	Intesa Sanpaolo	Conegliano Veneto	5.00%
Intesa Sec S.p.A.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2 S.r.l.	Intesa Sanpaolo	Milano	100.00%
Intesa Sec 3 S.r.l.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Npl S.p.A.	Intesa Sanpaolo	Milano	60.00%
Augusto S.r.l.	Intesa Sanpaolo	Milano	5.00%
Colombo S.r.l.	Intesa Sanpaolo	Milano	5.00%
Diocleziano S.r.l.	Intesa Sanpaolo	Milano	5.00%
Cr Firenze Mutui	CR Firenze	Conegliano Veneto	10.00%
ISP OBG S.r.l. (former ISP Sec 4 S.r.l.) (*)	Intesa Sanpaolo	Milano	60.00%
ISP CB Ipotecario S.r.l. (*)	Intesa Sanpaolo	Milano	60.00%
ISP CB Pubblico S.r.l. (*)	Intesa Sanpaolo	Milano	60.00%

(*) ISP CB Ipotecario, ISP CB Pubblico and ISP OBG are not traditional securitisation vehicles which issue securities, but are involved in covered bond issues. For more information, see Section C.3 of Part E of these Notes to the consolidated financial statements.

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

Servicer	Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	1	-	-	-	-	100%	-	100%	-	81%
Intesa Sanpaolo	Intesa Sec 2	-	-	-	26	-	100%	-	100%	-	100%
Intesa Sanpaolo	Intesa Sec 3	45	977	4	286	-	100%	-	57%	-	-
Italfondiario	Intesa Sec NPL	27	-	10	-	100%	-	46%	-	-	-
Leasint	Intesa Lease Sec	-	-	1	4	-	100%	-	100%	-	100%
Leasint	Split 2	10	48	1	65	-	100%	-	44%	-	-
CR Firenze	Cr Firenze Mutui	2	69	1	21	-	94%	-	-	-	-
Total		**85**	**1,094**	**17**	**402**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec
Securitisation of performing mortgages

(millions of euro)

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

Intesa Sec 2
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**-**
A.1 Loans		-	
- loans outstanding	-		
- past due loans	-		
A.2 Securities		-	
A.3 Other assets		-	
- accrued income on IRS	-		
- suspended items for DPP	-		
- tax credits	-		
B. Investments of the funds collected from loan management			**-**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		-	
C. Securities issued			**-**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		-	
C.4 Class C		-	
D. Financing received			**-**
E. Other liabilities			**-**
E.1 Due to Parent Company		-	
E.2 Other DPP liabilities		-	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		-	
F. Interest expense on securities issued			**1**
G. Commissions and fees			**1**
G.1 Servicing		-	
G.2 Other services		1	
H. Other expenses			**25**
H.1 Interest expense		7	
H.2 Other expenses		17	
H.3 Cost of liquidation DPP of the period		1	
I. Interest income on securitised assets			**2**
L. Other revenues			**25**
L.1 Interest income		1	
L.2 Other income		24	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,024**
A.1 Loans		1,022	
A.2 Securities		-	
A.3 Other assets		2	
- accrued income on IRS	*1*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**226**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		226	
C. Securities issued			**1,049**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class A3		903	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**25**
E. Other liabilities			**181**
E.1 Due to Parent Company		127	
E.2 "Additional return" allowance		48	
E.3 Accrued expenses – interest on securities issued		1	
E.4 Accrued expenses on IRS		5	
F. Interest expense on securities issued			**11**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Securities placement commissions		-	
H. Other expenses			**44**
H.1 Interest expense		31	
H.2 Forecasted losses on loans		1	
H.3 Additional return		12	
I. Interest income on securitised assets			**40**
L. Other revenues			**16**
L.1 Interest income		15	
L.2 Revenues from penalties for advanced extinguishment and other		1	

Intesa Sec Npl
Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets			**32**
A.1 Loans		27	
- loans outstanding	*-*		
- past due loans	*27*		
- loans for overdue interest	*-*		
A.2 Securities		-	
A.3 Other assets		5	
- cap option premium paid	*4*		
- other receivables	*1*		
B. Investments of the funds collected from loan management			**5**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		5	
C. Securities issued			**155**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		-	
C.4 Class D		114	
C.5 Class E		41	
D. Financing received			**3**
E. Other liabilities			**25**
E.1 Amounts due for services rendered		2	
E.2 Accrued expenses – interest on securities issued		20	
E.3 Other accrued expenses		2	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**13**
H.1 Interest expense		5	
H.2 Other expenses		2	
H.3 Losses on overdue interest		2	
H.4 Losses on loans		2	
H.5 Forecasted losses on loans		2	
I. Interest income on securitised assets			**6**
L. Other revenues			**4**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		4	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**59**
A.1 Loans	58	
A.2 Securities	-	
A.3 Other assets	1	
B. Investments of the funds collected from loan management		**26**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	26	
C. Securities issued		**79**
C.1 Class A	-	
C.2 Class B	16	
C.3 Class C	45	
C.4 Class D	18	
D. Financing received		**-**
E. Other liabilities		**6**
F. Interest expense on securities issued		**2**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**2**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

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

CR Firenze Mutui

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**71**
A.1 Loans	71	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**13**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	13	
C. Securities issued		**72**
C.1 Class A	28	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		4
E. Other liabilities		**8**
F. Interest expense on securities issued		**1**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**3**
L. Other revenues		**-**

C.2. Sales

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables C.2.1 and C.2.2 below, refer to the information shown below the relevant tables.
Conversely, for operations in debt securities against medium-/long-term repurchase agreements, refer to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

C.2.1. Banking group - Financial assets sold not derecognised: book value and full value

(millions of euro)

	Cash assets				Derivatives	31.12.2012		31.12.2011	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**4,065**	**83**	**3**	**-**	**-**	**4,151**	**-**	**5,211**	**-**
- Financial assets sold totally recognised (book value)	4,065	83	3	-	-	4,151	-	5,211	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**169**	**-**	**-**	**-**	**X**	**169**	**-**	**14**	**-**
- Financial assets sold totally recognised (book value)	169	-	-	-	X	169	-	14	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**9,734**	**-**	**-**	**-**	**X**	**9,734**	**-**	**8,351**	**-**
- Financial assets sold totally recognised (book value)	9,734	-	-	-	X	9,734	-	8,351	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**219**	**X**	**X**	**-**	**X**	**219**	**-**	**257**	**-**
- Financial assets sold totally recognised (book value)	219	X	X	-	X	219	-	257	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**1,280**	**X**	**X**	**-**	**X**	**1,280**	**-**	**1,450**	**-**
- Financial assets sold totally recognised (book value)	1,280	X	X	-	X	1,280	-	1,450	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**1,072**	**X**	**X**	**1,079**	**X**	**2,151**	**55**	**1,668**	***47***
- Financial assets sold totally recognised (book value)	1,072	X	X	1,079	X	2,151	55	1,668	47
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2012	**16,539**	**83**	**3**	**1,079**	**-**	**17,704**	**55**	**X**	***X***
Total 31.12.2011	**15,529**	**28**	**2**	**1,392**	**-**	**X**	**X**	**16,951**	***47***

Operations mainly refer to the use of securities held for short and medium-/long-term repurchase agreements and loans to customers assigned as part of the Split 2 and SEC 3 securitisations.

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

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total	Total
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2012	31.12.2011
Financial assets held for trading	1,961	-	1,578	-	-	-	3,539	4,721
Financial assets measured at fair value	20	-	66	-	-	-	86	-
Financial assets available for sale	6,034	-	3,634	-	-	-	9,668	7,039
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	13	-	150	-	-	-	163	782
Loans to customers	128	-	657	-	1,050	-	1,835	1,945
Total	**8,156**	**-**	**6,085**	**-**	**1,050**	**-**	**15,291**	**14,487**

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

C.2.3. Banking group - Sales with liabilities having recourse exclusively on the assets sold: fair value

(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 (fair value)		Due from banks (fair value)		Loans to customers (fair value)		31.12.2012 TOTAL	31.12.2011 TOTAL
	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised		
A. Cash assets	**4,151**	**-**	**169**	**-**	**9,734**	**-**	**213**	**-**	**1,262**	**-**	**1,938**	**-**	**17,467**	**16,951**
1. Debt securities	4,065	-	169	-	9,734	-	213	-	1,262	-	839	-	16,282	15,529
2. Equities	83	-	-	-	-	-	X	X	X	X	X	X	83	28
3. UCI	3	-	-	-	-	-	X	X	X	X	X	X	3	2
4. Loans	-	-	-	-	-	-	-	-	-	-	1,099	-	1,099	1,392
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**4,151**	**-**	**169**	**-**	**9,734**	**-**	**213**	**-**	**1,262**	**-**	**1,938**	**-**	**17,467**	**16,951**
C. Associated liabilities	**3,539**	**-**	**87**	**-**	**9,709**	**-**	**-**	**-**	**167**	**-**	**1,751**	**-**	**X**	**X**
1. Due to customers	1,961	-	20	-	6,035	-	-	-	18	-	128	-	X	X
2. Due to banks	1,578	-	67	-	3,674	-	-	-	149	-	636	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	987	-	X	X
Total Liabilities	**3,539**	**-**	**87**	**-**	**9,709**	**-**	**-**	**-**	**167**	**-**	**1,751**	**-**	**15,253**	**14,487**
Net Value 2012	**612**	**-**	**82**	**-**	**25**	**-**	**213**	**-**	**1,095**	**-**	**187**	**-**	**2,214**	**X**
Net Value 2011	**490**	**-**	**14**	**-**	**1,727**	**-**	**257**	**-**	**666**	**-**	**-36**	**-**	**X**	**2,464**

B. Financial assets sold fully derecognised with recognition of ongoing involvement

This type of exposure did not exist as at 31 December 2012.

C.3. Banking group - Covered bond transactions

The Intesa Sanpaolo Group uses Covered Bonds (CB) to prudently establish eligible assets with Central Banks or as a type of funding, by placing Covered Bonds on the market.
Transactions are structured by selling assets (loans, mortgages) to a vehicle, with the simultaneous granting of a subordinated loan for payment of the sale price. In the Intesa Sanpaolo Group, in this phase the seller is always the same entity as the lender. Securities may be issued directly by the originator of the assets or by the Parent Company, relating to assets sold to the vehicle by other Group companies.
In accordance with IAS 39, these transactions do not represent sales without recourse for accounting purposes, as the Group companies involved maintained all the risks and rewards connected to the loans sold. Therefore, when recording the transactions, as provided for by Bank of Italy, according to which, where the originator and the lender are the same entity, the separate assets of the vehicle, provided as security for the issues of Covered Bonds, are consolidated in the separate financial statements.

Over time, the Intesa Sanpaolo Group has carried out three Covered Bond issue programmes.

The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a nominal value of approximately 12.5 billion euro were sold.
Against these sales, Covered Bonds were issued for a total nominal value of 13.3 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011 and 6.8 billion euro relating to issues acquired from the former BIIS and cancelled by Intesa Sanpaolo following the merger). During 2012:

– the exchange offer concerning the 2 billion euro issue in April 2010 was made. The bonds were exchanged with bonds of the same amount and equivalent characteristics, from Series 10 of the Covered Bond Programme of the vehicle ISP CB Ipotecario. Of the initial nominal amount of 2 billion euro, approximately 1.9 billion euro was exchanged, while the remaining amount was placed with investors;
– the exchange offer concerning the 1.5 billion euro issue in January 2011 was made. The characteristics of the offer are

equivalent to those described in the previous point (the bonds were exchanged for Series 11 bonds issued as part of the Covered Bond Programme of ISP CB Ipotecario). Of the initial nominal amount of 1.5 billion euro, approximately 1.4 billion euro was exchanged, while the remaining amount was placed with investors;

As at 31 December 2012 a total nominal amount of 284 million euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans originated by Intesa Sanpaolo were transferred. In detail, these are sales of Italian residential mortgages with a nominal value of 9.5 billion euro, in addition to the sale, in October 2012, of a portfolio of Italian residential mortgages originated by Intesa Sanpaolo with a nominal value of 3.2 billion euro. In May 2012, the vehicle also invested its available liquidity in an Italian government bond for a nominal amount of 900 million euro. As this bond is an eligible asset, it increased the value of the portfolio used as collateral for the Covered Bonds, and exited the cover pool at maturity in January 2013.

Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a total nominal value of approximately 12.3 billion euro. During 2012:

- following the retrocession of the Adriano Finance security to Intesa Sanpaolo, in April 2012 Series 6 and Series 7 of the Covered Bonds, with nominal values of 2.3 billion euro and 2.25 billion euro, respectively, were repaid in advance;
- also in April 2012, Intesa Sanpaolo terminated Series 8 in advance, issued for a nominal value of 1.6 billion euro;
- Series 9, issued by Intesa Sanpaolo for a nominal value of 2 billion euro, was also terminated in advance in April 2012;
- between July and September, two tranches of fixed-rate Covered Bonds maturing in 2017 and 2021, respectively, were issued, to be offered to investors in exchange, as part of the Exchange Offer described above. The issues have nominal values of approximately 1.9 billion euro and 1.4 billion euro, respectively;
- in September 2012, Intesa Sanpaolo carried out a fixed-rate issue (3.75%) maturing in 2019, with a nominal value of 1 billion euro. The security is listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. Placed with institutional investors, its characteristics make it eligible for Eurosystem refinancing transactions;
- in December 2012, Intesa Sanpaolo carried out a fixed-rate issue (3.625%) maturing in 2022, with a nominal value of 1.25 billion euro. The security is listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. Placed with institutional investors, its characteristics make it eligible for Eurosystem refinancing transactions.

In June 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli and Cassa di Risparmio del Veneto. In particular:

- in June Intesa Sanpaolo and Banco di Napoli sold residential mortgages to the vehicle ISP OBG S.r.l., amounting to approximately 7.9 billion euro and 5 billion euro in residual debt at the time of sale;
- in July Intesa Sanpaolo sold an additional 4.2 billion euro in mortgages to the vehicle;
- in November Banco di Napoli and Cassa di Risparmio del Veneto sold to the vehicle, respectively, 650 million euro and 2.6 billion euro in mortgages.

In 2012 the Parent Company issued and fully subscribed the following securities:

- in June 2012, two floating-rate issues with 2-year maturity, with nominal values of 5.75 billion euro and 6 billion euro, respectively;
- in August 2012 an additional floating-rate issue with 2-year maturity, with nominal value of 4.1 billion euro;
- in December 2012 another floating-rate issue with 2-year maturity, with nominal value of 3.2 billion euro.

All securities issued as part of the multi-originator programme are listed on the Luxembourg Stock Exchange and, as noted above, benefit from the rating of the issuer Intesa Sanpaolo. The characteristics of the issues make them eligible for Eurosystem refinancing transactions.

The key figures for ISP CB Pubblico, ISP CB Ipotecario and ISP OBG as at 31 December 2012 are shown in the table below.

(millions of euro)

COVERED BONDS		Vehicle data		Subordinated loan [1]	Covered Bonds issued	of which: held by the Group		
		Total assets	Cumulated write-downs on securitised portfolio	amount	nominal amount	nominal amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing public sector loans and securities	13,530	-	13,078	284	-	L&R	Amortised cost
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	15,014	14	13,767	9,576	-	L&R	Amortised cost
ISP OBG	Performing residential mortgages	20,561	13	20,309	19,065	19,065	L&R	Amortised cost

[1] The item includes the subordinated loan granted by the originator for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2012, for which no issues have yet been made.

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

As at 31 December 2012, the expected loss on core banks (Basel 2 validation area) amounted to 0.53% of disbursed loans, a 0.02 percentage point increase on the figure as at the end of 2011. The economic capital corresponded to 3.5% of disbursed loans, an increase of 0.3% compared to the figure in 2011[10].

The increase in risk indicators is the result of both the deterioration of the economic scenario, which resulted in a generalised worsening of ratings, and by the refining of risk measures, specifically the updating of the LGD parameters on SME Retail following the validation of the model used for reporting purposes. The above phenomena were partly offset by the operational actions involving the recomposition of the portfolio towards better exposures and the considerable transfers of loans to the non-performing loan category, which contributes to eliminating customers with worse ratings from the performing loans portfolio.

The internal rating and LGD models are subject to internal validation process and a level three control by the Internal Auditing Department. The control functions produce an annual report for the Bank of Italy on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex-ante estimates and the effective ex post values. This report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo, confirms the requirements of compliance.

[10] Economic capital was assessed using a confidence interval of 99.93, applied for the purpose of homogeneous comparison with the 2011 figure.