Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

The control of capital adequacy at group level and at the level of individual entities in the group is ensured by capital management which defines the size and optimum combination of the different capital instruments, consistently with the risk exposure taken on and with supervisory requirements.

The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. In this regard, the allocation of capital to the Business Units is based on their specific capacity to contribute to the creation of value, taking into account the level of return expected by shareholders.

The concept of capital at risk itself varies in relation to its measurement approach:

– regulatory capital covering Pillar 1 risks;
– overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and as to their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from the actual measurement of exposure amounts.

Hence, capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory requirements (Pillar 1) and operational constraints (Pillar 2).

This activity is dynamic over time and first of all reflects the capital requirements linked to the multi-annual objectives set out in the Business Plan. Subsequently, a review is carried out when defining annual budget targets: based on the expected trends in loans, other assets and income statement aggregates, risks are quantified and their compatibility at group level and at the level of each group entity is verified. Additionally, capital requirement monitoring is conducted during the year and on a quarterly basis, and if necessary appropriate actions are taken to direct and control balance sheet aggregates.

Further analyses for preliminary assessment of capital adequacy are performed when planning extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the Group's perimeter.

B. Quantitative information

B.1. Consolidated shareholders' equity: breakdown by type of company

(millions of euro)

	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	Total	*of which: minority interests*
Share capital	**7,036**	**26**	**-**	**-**	**7,062**	***415***
Share premium reserve	**33,235**	**-**	**-**	**-**	**33,235**	***133***
Reserves	**10,939**	**95**	**14**	**-85**	**10,963**	***398***
Legal reserve	1,329	-	-	-	1,329	-
Extraordinary reserve	2,914	-	-	-	2,914	-
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	232	-	-	-	232	-
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302	-	-	-	302	-
Consolidation reserve	5,901	95	14	-85	5,925	398
Other reserves	261	-	-	-	261	-
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-2**	**-6**	**-**	**-**	**-8**	**-**
Valuation reserves	**-423**	**-19**	**-37**	**60**	**-419**	***11***
Financial assets available for sale	-104	-29	-30	24	-139	3
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-454	-	-8	8	-454	-3
Foreign exchange differences	-169	-	1	-1	-169	2
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-	-
Share of valuation reserves connected with investments carried at equity	-48	10	-	29	-9	-
Legally-required revaluations	352	-	-	-	352	9
Parent Company's net income (loss) and minority interest	**2,931**	**114**	**-5**	**-102**	**2,938**	***133***
Shareholders' equity	**53,716**	**210**	**-28**	**-127**	**53,771**	***1,090***

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In more detail, the column for the banking group indicates the amount resulting from the consolidation of the companies belonging to the banking group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the banking group and consolidated on a line-by-line basis are stated here at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the banking group. The columns Netting and adjustments on consolidation show the adjustments required to obtain the figure represented in the financial statements.

B.2. Valuation reserve of financial assets available for sale: breakdown

(millions of euro)

	Banking group		**Insurance companies**		**Other companies**		**Netting and adjustments on consolidation**		**Total as at 31.12.2009**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	256	-729	197	-228	-	-30	-149	215	304	-772
2. Equities	381	-63	38	-25	-	-	-38	25	381	-63
3. Quotas of UCI	26	-6	5	-6	-	-	-4	5	27	-7
4. Loans	13	-14	-	-	-	-	-	-1	13	-15
Total as at 31.12.2009 (*)	**676**	**-812**	**240**	**-259**	**-**	**-30**	**-191**	**244**	**725**	**-857**
Total as at 31.12.2008	**648**	**-2,303**	**160**	**-528**	**-**	**-43**	**-256**	**1,028**	**552**	**-1,846**

(*) This amount includes 7 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Approximately 50% of the negative reserve on equities is attributable to securities classified as level 1.

B.3. Valuation reserve of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**-1,108**	**-141**	**-18**	**-27**
2. Positive fair value differences	**856**	**598**	**50**	**28**
2.1 Fair value increases	681	319	35	1
2.2 Reversal to the income statement of negative reserves	141	246	11	-
- impairment	*3*	*175*	*10*	-
- disposal	*138*	*71*	*1*	-
2.3 Other changes	34	33	4	27
3. Negative fair value differences	**-216**	**-139**	**-12**	**-3**
3.1 Fair value decreases	-143	-91	-11	-1
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-64*	*-19*	*-1*	-
3.4 Other changes	-9	-29	-	-2
4. Closing amount (*)	**-468**	**318**	**20**	**-2**

(*) This amount includes 7 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Trading on treasury shares

During the year, Intesa Sanpaolo and Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:	
Initial number	3,022,021
Purchased	16,240,478
Sold	-16,506,730
End-of-year number	2,755,769

Non-convertible savings shares:	
Initial number	103,000
Purchased	239,466
Sold	-236,000
End-of-year number	106,466

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Scope of application of regulations

Regulatory capital has been calculated on the basis of new instructions (Circular 263 of December 2006 and 12th update of Circular 155 of February 2008) issued by the Bank of Italy following the new prudential provisions for banks and banking groups introduced by the New Basel Capital Accord (Basel 2).

The "New regulations for the prudential supervision of banks" enable banks and banking groups to adopt internal risk measurement systems for calculating capital requirements subject to the prior authorisation of the Bank of Italy, provided that the bank or banking group meets specific minimum organisational and quantitative requirements. The Group secured permission to use the IRB Foundation approach for the Corporate segment, effective from the report as at 31 December 2008, on an initial scope of Group companies. During 2009, the Group initiated the process of expanding the Group's scope of application of internal models involving the approval of the use of the IRB Foundation approach for the other subsidiaries.

The Group has obtained permission to use the Advanced AMA approach (internal model) to determine the capital requirements for operational risks, effective from the report as at 31 December 2009, on an initial scope that includes most of the banks and companies within the Banca dei Territori Division. The remaining companies, currently using the Standardised approach, will gradually migrate to the Advanced approaches beginning in 2010.

2.2. Bank regulatory capital

A. Qualitative information

Regulatory capital is calculated as the sum of positive components, with certain limits, and negative components, on the basis of their capital quality; positive components, in order to be eligible for the calculation of capital absorptions, must be fully available for the Bank.

Regulatory capital is made up of Tier 1 capital and Tier 2 capital, adjusted by the "prudential filters" and net of certain deductions. In particular:

- Tier 1 capital includes paid-in share capital, reserves, innovative and non-innovative capital instruments, retained net income for the period; plus positive "prudential filters" of Tier 1 capital; the total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, "other negative components", as well as negative Tier 1 "prudential filters", make up "Tier 1 capital before items to be deducted".
  Tier 1 capital is made up of the difference between "Tier 1 capital before items to be deducted" and 50% of "items to be deducted";
- Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature. The positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative elements related to loans, other negative components, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted".
  Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50% "items to be deducted".

Each caption of Tier 1 and Tier 2 capital includes both the amounts attributable to the Banking group and minority-interest shareholders.

The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:

- for financial assets available for sale, relative to equities, quotas of UCI and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded;
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised.

The "Tier 1 capital before items to be deducted" and "Tier 2 capital before items to be deducted" are deducted on a 50/50 basis, as set out above, of the equity investments, the excess expected losses with respect to total adjustments of the corporate regulator in portfolio and the expected losses in relation to equities and – where they have the characteristics to be eligible for inclusion in the issuer's regulatory capital – of the innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.

Concerning equity investments and subordinated instruments held in insurance companies, until 31 December 2012 they are deducted from Total capital, instead of 50% each from Tier 1 and Tier 2, if acquired before 20 July 2006.

The main contractual characteristics of innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised in the following tables.

1. Tier 1 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
SANPAOLO IMI Capital Company I	8.126%; from 10/11/2010 1-year Euribor + 3.5% p.a.	YES	10-Nov-2000	perpetual	10-Nov-2010	Eur	1,000,000,000	1,000
Intesa Preferred LLC III	6.988% fixed rate; from 12/07/2011 3-month Euribor +2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Eur	500,000,000	499
Intesa Sanpaolo	8.047% up to 20/06/2018 (excluded); thereafter at 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	1,250,000,000	1,250
Intesa Sanpaolo	8.698% up to 24/9/2018 (excluded); thereafter at 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	250,000,000	250
Intesa Sanpaolo	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bp p.a.	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500,000,000	1,500
Total preference shares and innovative equity instruments (Tier I)								**4,499**

2. Tier 2 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	6.625% fixed rate	NO	8-May-2008	8-May-2018	NO	Eur	1,250,000,000	1,240
Intesa Sanpaolo	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	120,000,000	120
Banca CR Firenze	6-month Euribor + 1.40%	NO	19-Jun-2002	21-Jun-2012	NO	Eur	200,000,000	200
Banca CR Firenze	6-month Euribor + 0.95%	NO	5-Dec-2003	5-Dec-2013	NO	Eur	200,000,000	147
Centro Leasing Banca	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	30
Total hybrid instruments (Upper Tier II)								**1,737**
Banca di Trento e di Bolzano	1st year: 4%; 2nd year: 4.10%; thereafter 71% 10-year swap rate with minimum 3%	NO	4-Apr-2003	4-Apr-2010	NO	Eur	9,000,000	2
Banca di Trento e di Bolzano	1st year: 3.00%; 2nd year: 3.30%; 3rd year: 3.70%; 4th year: 4.10%; 5th year: 4.50%; 6th year: 5.10%; 7th year: 5.70%	NO	4-Apr-2003	4-Apr-2010	NO	Eur	16,000,000	3
Centro Leasing Banca	up to 27/9/2011 (excluded): 3-month Euribor + 0.65% p.a.; thereafter 3-month Euribor + 1.25% p.a.	YES	27-Sep-2006	27-Sep-2016	27-Sep-2011	Eur	90,000,000	90
Cassa di Risparmio della Spezia	for the first 5 years: 3-month Euribor + 0.10%; for the following 5 years: 3-month Euribor + 0.30%	YES	14-Dec-2007	14-Dec-2017	14-Dec-2012	Eur	30,000,000	30
Banca CR Firenze	6-month Euribor	NO	7-Jan-2003	3-Feb-2010	NO	Eur	30,000,000	6
Banca CR Firenze	3-month Euribor	NO	19-Jan-2004	18-Feb-2011	NO	Eur	23,000,000	9
Banca CR Firenze	6-month Euribor	NO	21-Jun-2004	28-Jul-2011	NO	Eur	40,000,000	16
Banca CR Firenze	3-month Euribor + 0.45%; as of 30/5/2010 3-month Euribor + 0.70%	YES	30-May-2005	30-May-2015	30-May-2010	Eur	16,200,000	16
Banca CR Firenze	6-month Euribor + 0.15%	NO	10-Apr-2006	22-May-2013	NO	Eur	85,000,000	68
Banca Intesa Beograd	6-month Euribor + 2.25%	NO	15-Jun-2006	15-Dec-2012	15-Jun-2011	Eur	60,000,000	36
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000,000,000	142
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	30-Jun-1998	1-Jul-2013	NO	Lit	200,000,000,000	58
Intesa Sanpaolo	8% 1st coupon, 5% 2nd coupon, 4% 3rd coupon, thereafter 70% of 10-year swap rate	NO	9-Mar-1999	9-Mar-2014	NO	Lit	480,000,000,000	209
Intesa Sanpaolo	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	250,000,000	218

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	5.30% fixed rate	NO	22-Oct-1999	1-Jan-2010	NO	Eur	150,000,000	30
Intesa Sanpaolo	5.20% fixed rate	NO	7-Dec-1999	1-Jan-2010	NO	Eur	90,000,000	18
Intesa Sanpaolo	5.30% fixed rate	NO	21-Jan-2000	1-Jan-2010	NO	Eur	100,000,000	20
Intesa Sanpaolo	5.50% fixed rate	NO	16-Feb-2000	1-Jan-2010	NO	Eur	41,000,000	8
Intesa Sanpaolo	6.11% fixed rate; as of 23/2/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65,000,000	65
Intesa Sanpaolo	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Eur	50,000,000	50
Intesa Sanpaolo	5.35% fixed rate	NO	9-Apr-2001	9-Apr-2011	NO	Eur	125,478,000	50
Intesa Sanpaolo	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Eur	265,771,000	159
Intesa Sanpaolo	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Eur	126,413,000	74
Intesa Sanpaolo	3-month Euribor + 0.25%	YES	8-Feb-2006	8-Feb-2016	8-Feb-2011	Eur	1,500,000,000	1,459
Intesa Sanpaolo	5.50% fixed rate; as of 19/12/2011 3-month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	Gbp	1,000,000,000	1,123
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	Gbp	250,000,000	281
Intesa Sanpaolo	6.375% fixed rate	NO	6-Apr-2000	6-Apr-2010	NO	Eur	500,000,000	100
Intesa Sanpaolo	2.90% fixed rate, as of 1/8/2010 6-month Euribor + 0.74% p.a.	YES	1-Aug-2005	1-Aug-2015	1-Aug-2010	Eur	20,000,000	19
Intesa Sanpaolo	5.375% fixed rate	NO	13-Dec-2002	13-Dec-2012	NO	Eur	30,000,000	180
Intesa Sanpaolo	up to 20/02/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor +0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Eur	750,000,000	712
Intesa Sanpaolo	up to 9/6/2010 (excluded): 3.75% p.a. thereafter: 3-month Euribor + 1.05% p.a.	YES	9-Jun-2003	9-Jun-2015	9-Jun-2010	Eur	350,000,000	342
Intesa Sanpaolo	up to 18/03/2019 (excluded): 5.625% p.a.; thereafter: 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	165,000,000	185
Intesa Sanpaolo	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Eur	700,000,000	684
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	2-Mar-2005	2-Mar-2020	2-Mar-2015	Eur	500,000,000	496
Intesa Sanpaolo	up to 19/04/2011 (excluded): 3-month Euribor +0.20% p.a.; thereafter: 3-month Euribor +0.80% p.a.	YES	29-Apr-2006	19-Apr-2016	19-Apr-2011	Eur	500,000,000	492
Intesa Sanpaolo	up to 26/6/2013 (excluded): 4.375% p.a., thereafter: 3-month Euribor +1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Eur	500,000,000	492
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415,000,000	415
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	545,000,000	545
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	382
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	800
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,097,000,000	1,038
Intesa Sanpaolo	5.75% fixed rate; as of 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Eur	1,000,000,000	979
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,500,000	633
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,000,000	162
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,491

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Cassa dei Risparmi di Forlì e della Romagna	up to 10/6/2005 (included): 3-month Euribor + 0.40% p.a.; thereafter 3-month Euribor +1.00% p.a.	YES	10-Jun-2005	10-Jun-2015	10-Jun-2010	Eur	70,000,000	54
Pravex Bank	7.025% (Libor + 5%)	NO	other issues placed as of 12/09/2000	other issues with final expiry at 31/07/2016	NO	Usd	14,100,000	11
Total eligible subordinated liabilities (Lower Tier II)								**14,452**
TOTAL								**20,688**

3. Tier 3 capital
No subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations, to “cover” market risks.

B. Quantitative information

(millions of euro)

	31.12.2009	31.12.2008
A. Tier 1 capital before the application of prudential filters	**32,170**	**29,352**
B. Tier 1 capital prudential filters	-932	-1,639
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-932*	*-1,639*
C. Tier 1 before items to be deducted (A+B)	**31,238**	**27,713**
D. Items to be deducted from Tier 1	**1,033**	**639**
E. Total Tier 1 capital (C-D)	**30,205**	**27,074**
F. Tier 2 capital before the application of prudential filters	**16,599**	**15,387**
G. Tier 2 capital prudential filters	**-94**	**-**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	*-94*	-
H. Tier 2 before items to be deducted (F+G)	**16,505**	**15,387**
I. Items to be deducted from Tier 2	**1,033**	**639**
L. Total Tier 2 capital (H-I)	**15,472**	**14,748**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**2,923**	**2,774**
N. Regulatory capital (E+L-M)	**42,754**	**39,048**
O. Tier 3 capital	**-**	**30**
P. Regulatory capital including Tier 3 (N+O)	**42,754**	**39,078**

2.3. Capital adequacy

A. Qualitative information
According to the “New regulations for the prudential supervision of banks” (Bank of Italy Circular 263 of 27 December 2006), which adopt the provisions on the International Convergence of Capital Measurement and Capital Standards (Basel 2), the banking group’s capital must amount to at least 8% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques.
Banks must comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities, settlement risk, and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk for debt securities. Intesa Sanpaolo’s internal model also includes the calculation of the specific risk for certain types of credit derivatives in the trading book, whereas Banca IMI’s model includes the position risk on quotas of UCI (for the CPPI component). Effective from the first quarter of 2009, the scope of validated risks was

extended to dividend derivatives. The standard methods are used for other risks. Counterparty risk is calculated independently of the portfolio of allocation.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the single companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital adequacy: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.
Having obtained authorisation from the Supervisory Authority, the Intesa Sanpaolo Group with effect from 31 December 2008 has adopted the Foundation Internal Rating Based (FIRB) approach to calculate its credit risk and counterparty risk capital requirements with reference to the regulatory portfolio Exposures to corporates. The scope of application of the FIRB approach as at 31 December 2009 includes the Parent company, the network banks (with the exception of Casse del Centro) and the main specialised lending companies.
With regard to operational risks, following the completion of implementation of the AMA approach for some Group Companies, which include Banks and Companies of the Banca dei Territori Division (with the exception of the former CR Firenze Group but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka, authorisation from the Bank of Italy was obtained for the use of the internal Advanced Measurement Approach (AMA) in the calculation of the capital requirements.

B. Quantitative information

(millions of euro)

	Unweighted amounts		Weighted amounts/ requirements	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
A. RISK ASSETS				
A.1 Credit and counterparty risk	**540,605**	**582,919**	**316,258**	**335,556**
1. Standard methodology	344,625	387,507	165,206	194,458
2. Methodology based on internal ratings	191,735	187,208	148,331	138,199
2.1 Base	*191,735*	*187,208*	*148,331*	*138,199*
2.2 Advanced	-	-	-	-
3. Securitisations	4,245	8,204	2,721	2,899
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**25,301**	**26,844**
B.2 Market risk			**1,344**	**1,444**
1. Standard methodology			1,191	1,243
2. Internal models			96	198
3. Concentration risk			57	3
B.3 Operational risk			**2,249**	**2,327**
1. Base methodology			109	70
2. Standard methodology			794	2,257
3. Advanced methodology			1,346	-
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**38**	**31**
B.6 Total capital requirements			**28,932**	**30,646**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**361,648**	**383,072**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**8.4%**	**7.1%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			**11.8%**	**10.2%**

SECTION 3 – INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The following is a list of the insurance companies controlled solely by Intesa Sanpaolo Group and subject to insurance supervision:
- Centrovita Assicurazioni;
- Eurizon Vita;
- EurizonLife;
- EurizonTutela;
- Sud Polo Vita.

As insurance parent company, Eurizon Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP Regulation 18 of 12 March 2008 (the insurers' code), Eurizon Vita is required to prepare a "consolidated aggregate". EurizonTutela and EurizonLife fall within the scope of this aggregate, inasmuch as they are 100% owned by EurizonVita, as do Centrovita and Sud Polo Vita, inasmuch as they are subject to unitary management under the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the "consolidated aggregate" prepared by Eurizon Vita. Corrections represented by the "prudential filters" are then applied to these figures. The application of these filters, which involves an asymmetrical approach, aims to eliminate only the effects of the application of IAS/IFRS deemed inconsistent with the objective of a calculation for prudential purposes. Prudential filter provisions refer to:
- the re-measurement of technical reserves;
- unrealised capital gains;
- other filters.

For the purposes of the solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, resulting in the required solvency margin. The latter, which is computed according to the provisions of ISVAP Regulation 28 of 17 February 2009, consists of the sum of the parent insurance company's solvency margin and the proportional share of the minimum solvency margin of the subsidiary or associate insurance companies of the parent insurance company or insurance companies subject to unitary management.

As at 31 December 2009 the insurance aggregate showed a "solvency ratio", defined as the ratio of the available margin to the required margin, of approximately 170%.

The Intesa Sanpaolo Group does not hold any investments in insurance companies subject to joint control.
The Group has an equity investment of a marginal amount in an insurance company located in Slovakia, controlled solely through VUB Banka.

SECTION 4 – CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	**46,340**
B. Capital requirements for banking elements	28,932
C. Solvency margins for insurance elements	1,238
D. Total capital requirements of the financial conglomerate (B+C)	**30,170**
E. Financial conglomerate surplus (definicit) (A-D)	**16,170**

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services.
The capital adequacy of the Intesa Sanpaolo financial conglomerate was calculated in accordance with the supplementary supervisory provisions issued by the Bank of Italy.
As at 31 December 2009 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by approximately 16,170 million euro.