INTESA SANPAOLO

Interim Statement as at 30 September 2009

This is an English translation of the Italian original "Resoconto intermedio al 30 settembre 2009" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A. This document contains some forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to future events. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

- *the Group's ability to successfully integrate the employees, products, services and systems of the merger of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. as well as other recent mergers and acquisitions;*
- *the impact of regulatory decisions and changes in the regulatory environment;*
- *the impact of political and economic developments in Italy and other countries in which the Group operates;*
- *the impact of fluctuations in currency exchange and interest rates;*
- *the Group's ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries.*

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which refer only to the date hereof. Accordingly, there can be no assurance that the Group will achieve its projected results.

Interim Statement as at 30 September 2009

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Turin Secondary registered office: Via Monte di Pietà, 8 20121 Milan Share capital 6,646,547,922.56 Euro Registration number on the Turin Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairmen	Antoine BERNHEIM Rodolfo ZICH
Members	Carlo BAREL DI SANT'ALBANO Rosalba CASIRAGHI Marco CIABATTONI Giovanni COSTA Franco DALLA SEGA Gianluca FERRERO Angelo FERRO Pietro GARIBALDI Giulio Stefano LUBATTI Giuseppe MAZZARELLO Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Ferdinando TARGETTI Livio TORIO Riccardo VARALDO

Management Board

Chairman	Enrico SALZA
Deputy Chairman	Orazio ROSSI
Managing Director and Chief Executive Officer	Corrado PASSERA
Members	Aureliano BENEDETTI Elio CATANIA Giuseppe FONTANA Gian Luigi GARRINO Virgilio MARRONE Emilio OTTOLENGHI Giovanni PERISSINOTTO Marcello SALA

General Managers

Corrado PASSERA
Francesco MICHELI

Manager responsible for preparing the Company's financial reports

Ernesto RIVA

Independent Auditors

RECONTA ERNST & YOUNG S.p.A.

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

Income statement (in millions of euro)	**30.09.2009**	**30.09.2008**	**Changes**	
			amount	**%**
Net interest income	8,071	8,740	-669	-7.7
Net fee and commission income	3,958	4,586	-628	-13.7
Profits (losses) on trading	993	301	692	
Income from insurance business	304	229	75	32.8
Operating income	13,416	14,183	-767	-5.4
Operating costs	-6,982	-7,237	-255	-3.5
Operating margin	6,434	6,946	-512	-7.4
Net adjustments to loans	-2,637	-1,567	1,070	68.3
Income after tax from discontinued operations	45	976	-931	-95.4
Net income	2,262	3,781	-1,519	-40.2

Balance sheet (in millions of euro)	**30.09.2009**	**31.12.2008**	**Changes**	
			amount	**%**
Loans to customers	377,896	395,189	-17,293	-4.4
Direct customer deposits	433,980	430,897	3,083	0.7
Indirect customer deposits	598,237	577,144	21,093	3.7
of which: Assets under management	*223,083*	*213,786*	*9,297*	*4.3*
Total assets	631,608	636,133	-4,525	-0.7
Shareholders' equity	51,932	48,954	2,978	6.1

Operating structure	**30.09.2009**	**31.12.2008**	**Changes**
			amount
Number of employees	106,307	108,790	-2,483
Italy	*73,052*	*72,707*	*345*
Abroad	*33,255*	*36,083*	*-2,828*
of which: atypical labour contracts	*453*	*483*	*-30*
Number of financial advisors	4,309	4,477	-168
Number of branches [(a)]	7,983	8,399	-416
Italy	*6,090*	*6,366*	*-276*
Abroad	*1,893*	*2,033*	*-140*

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

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

	30.09.2009	30.09.2008	31.12.2008
Profitability ratios (%)			
Cost / Income	52.0	51.0	54.7
Net income / Average shareholders' equity (ROE) [a]	5.7	9.9	5.2
Economic Value Added (EVA)[b] (in millions of euro)	342	1,908	1,402
Risk ratios (%)			
Net doubtful loans / Loans to customers	1.3	0.9	1.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	68.3	70.8	69.6
Capital ratios (%) [c]			
Tier 1 capital [d] net of preference shares / Risk-weighted assets (Core Tier 1)	7.2	6.2	6.3
Tier 1 capital [d] / Risk-weighted assets	8.0	6.9	7.1
Total capital [e] / Risk-weighted assets	11.6	10.0	10.2
Risk-weighted assets (in millions of euro)	367,372	398,191	383,072
Basic earnings per share (basic EPS) [f] – euro	0.18	0.30	0.20
Diluted earnings per share (diluted EPS) [g] – euro	0.18	0.30	0.20
Shares [h]			
Number of ordinary shares (thousands)	11,849,332	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	3.032	3.818	2.519
Average share price for the period - ordinary share (euro)	2.421	4.207	3.834
Average market capitalisation (in millions of euro)	30,359	53,482	48,639
Book value per share (euro)	4.383	3.977	4.132
Long-term rating			
Moody's	Aa2	Aa2	Aa2
Standard & Poor's	AA-	AA-	AA-
Fitch	AA-	AA-	AA-

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

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

[b] The indicator represents the economic value generated in the period in favour of shareholders, since it is the portion of net income for the period which remains after having remunerated shareholders' equity via the cost of capital. The latter represents the opportunity cost determined using the Capital Asset Pricing Model.

[c] As of 31 December 2008, ratios have been determined using the methodology set out in the Basel 2 Capital Accord, adopting the standardised methods for the calculation of credit risk-weigthed assets and for calculation of operational risk.

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

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

[f] Net income attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares.

[g] The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

[h] Figures for 2008 not restated. Book value per share does not consider treasury shares.

Intesa Sanpaolo Group – Financial highlights and alternative performance measures by business area

Income statement (in millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Operating income	7,848	8,979	2,961	1,946	334	239	1,643	1,668	190	272	443	503
Operating costs	-4,488	-4,739	-693	-698	-58	-61	-853	-884	-92	-111	-244	-247
Operating margin	3,360	4,240	2,268	1,248	276	178	790	784	98	161	199	256
Net income	1,038	1,491	1,096	643	111	16	254	504	42	56	67	74
Balance sheet (in millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2009	31.12.2008	30.09.2009	31.12.2008	30.09.2009	31.12.2008	30.09.2009	31.12.2008	30.09.2009	31.12.2008	30.09.2009	31.12.2008
Loans to customers	185,389	192,950	103,076	112,837	41,214	38,829	29,578	29,847	-	-	1,868	1,802
Direct customer deposits	222,646	218,225	108,416	91,813	5,253	5,202	27,611	28,212	-	-	6,664	6,583
Profitability ratios (%)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Cost / Income	57.2	52.8	23.4	35.9	17.4	25.5	51.9	53.0	48.4	40.8	55.1	49.1
ROE [(a)]	14.0	19.2	17.7	10.0	15.1	2.5	17.6	33.2	80.2	66.2	31.3	28.7
Economic Value Added (EVA) (in millions of euro)	679	1,545	487	74	40	-48	57	271	65	107	107	135

Figures restated where required by international accounting standards, considering the changes in the scope of consolidation and in business unit constituents.

[(a)] Ratio between Net income and Allocated capital. Figure for the period is annualised.

Intesa Sanpaolo in the third quarter of 2009

The macroeconomic context and the banking system

The signs of a recovery in manufacturing and international trade were reinforced in the third quarter. In August, the OECD index of industrial output exceeded the average for the second quarter, during which it had remained stagnant, by 1.9%. However, use of production capacity was at low levels throughout the world owing to the moderate extent of the recovery compared to the collapse experienced in mid-2008.
The United States emerged from the recession late in the second quarter due to the stabilisation of the construction industry and renewed consumer spending. Both phenomena are related to the tax incentive measures, which had significant transitory effects, especially on car sales. However, the recovery has yet to have a positive impact on employment levels: the unemployment rate was 9.8% at the end of the third quarter. The Federal Reserve continued to implement quantitative easing measures, although there have been signs of a decline in demand for liquidity from the financial system and some liquidity programmes are being discontinued due to a lack of interest.
In the euro area, the rise in industrial output during the third quarter (estimated at +1.5-2.0%) suggests that the first quarter-on-quarter GDP increase has occurred. The recovery is being driven by foreign demand, the improved situation of the inventory cycle, and car-scrapping incentives. Consensus estimates of the average annual change in GDP in 2009 have gradually risen from -4.2% to -3.9%, but the employment situation has also continued to deteriorate in the EU, as witnessed by the slow increase in the unemployment rate (to 9.6% in August). The ECB continued its extraordinary stimulus measures without suggesting that it will change its monetary policy orientation in the rest of the year. The rate on main refinancing operations has remained at 1.0%. Permanent covered bond purchases continued throughout the quarter, while the extraordinary management of repurchase agreements created persistent surplus liquidity in the system.
The Italian economy also showed some signs of a recovery in the summer quarter. The ISAE business confidence index continued to rise from 70 to 73.9, and there was a sharp increase in industrial output in July and August. The third quarter should see a leap in the output index of over 5%, with positive implications for GDP performance during the period. Nonetheless, the recovery of trade flows remains modest, with year-on-year changes in total exports still coming to -25% in August. Although the unemployment rate (7.4%) is below the European average, there continued to be growing signs of strain on the labour market, with a sharp rise in the use of state-assisted temporary unemployment and a more aggressive reduction of workforces, particularly non-permanent staff.

Abundant liquidity available in the system accelerated the fall of Euribor rates, which dropped to all-time lows. The monthly rate fell to 0.43%, 32 basis points below the level reported at the end of June, whereas the quarterly Euribor has been lower than the refi rate since July. Maturities beyond one year have shown uneven trends. The two-year Interest rate swap ended the quarter at 1.68%, 12 basis points below the levels of the previous quarter, although it briefly climbed above 2% in August. The downtrend in long-term rates was more clear-cut: the ten-year rate rose by 11 basis points to 3.71% in July, but then fell to end the quarter at 3.44%. The interest rate curve thus remained very steep, albeit slightly flatter than in the past.
The decline in risk aversion favoured a new contraction in the BTP-Bund spread, which on ten-year maturities fell from 105 to 78 basis points, reaching a low of 69 basis points. No European country had difficulty covering treasury bond auctions, despite concerns about fiscal stability.
Currency markets showed significant activity, due in part to speculative trading of gold. The euro/dollar exchange rate ended the quarter at 1.4635 (1.4134 at 31 March), building on the appreciation of the euro that began in the spring. The euro also appreciated against the pound, while it depreciated against the Swiss franc, yen and currencies that benefit from the carry trade such as the Australian dollar.

International equity markets showed significant, prolonged recovery of prices. The sharp turnaround was triggered and driven in particular by the extensive monetary and tax stimulus measures implemented by governments and central banks, as well as by the first signs of the stabilisation of the world economy: this translated into a decrease in risk aversion by investors, who gradually resumed investment in equities. The

bull market was consolidated in the third quarter, owing in part to half-yearly results that exceeded expectations due to incisive rationalisation and geographical diversification policies.
The S&P 500 ended the first nine months of the year up 17%. The main European stock exchanges posted similar gains during the period. The DJ EuroStoxx index was up 22% in the first nine months of the year, following on its low for the year of -24% on 9 March. The performance of China's stock market was largely positive, with the SSE Composite index up 52.6% at the end of September. The Nikkei 225 index posted more moderate gains, ending the period up 14%. Against this background, the Italian stock market's performance was in line with the European average: the FTSE Italia All Shares index rose 20.6%. Mid-cap stocks performed better than blue chips: the Mid Cap Index gained 27.2%, and the Star 32.6%, in the first nine months of the year.
The performance of the European corporate bond market remained positive on the whole from July to September. Recent months have seen a general tightening of spreads on both the cash segment (investment-grade and high-yield) and on derivatives, building on the trend that began in mid-March. The recovery continued at a brisk pace during the third quarter, drawing strength from the dissipation of concerns regarding the health of the international financial system and signs of the stabilisation of the economic cycle.
The various segments of the investment-grade market continued to show a trend towards a decrease in risk premium. Bonds issued by financial-sector companies did especially well, clearly outperforming those of their non-financial counterparts. The yield curves also flattened significantly. The decreased risk aversion was reflected in the high-yield bond segment to an even greater extent. However, investors continue to focus on data concerning the current and prospective performance of the economic cycle and exit strategies for the fiscal and monetary policies of an exceptional nature implemented in response to the recession.

As to the scenario in emerging countries, the third quarter of 2009 showed clear signs of the stabilisation of the financial situation and an improvement in growth prospects. Fiscal and monetary policy measures taken in support of domestic demand, the gradual recovery of commodity prices, and the constant support provided by international organisations and financial institutions to countries with the greatest need for external capital all contributed to raising investor confidence in these markets and giving considerable impetus to the recovery of their economies. According to the most recent figures, the pace of recovery appears briskest in Asia, powered by China and India, the driving forces behind the area's trade, whereas results were more moderate in MENA countries (Middle East and North Africa) and Latin America, which are nonetheless poised to benefit from the rise in energy and commodity prices in the future. The situation in Central and South Eastern Europe, which was severely affected by the global recession and international financial crisis, remains less positive.
The most recent economic data (which, however, still refer to the second quarter of 2009) indicate that GDP has fallen sharply in Central and South Eastern Europe. Nonetheless, the downtrend seems to have moderated, with signs of a possible stabilisation of output levels. In Croatia, the contraction in GDP moderated from 6.7% in the first quarter to 6.3% in the second. The decrease in industrial output remained significant, but was less severe in the third quarter (8.9%) than in the second (9.3%). In Slovakia, GDP decreased less markedly in the second quarter than in the first: 5.3% compared to 5.6%. In Poland, GDP continued to grow in the second quarter (1.1%), building on the trend shown in the first quarter (0.8%). In some countries, the contraction in GDP remained significant (approximately 20% in Hungary, 14% in the Ukraine, and 11% in Russia in September), although the rate of decrease was more moderate than in the first half of 2009. The International Monetary Fund predicts that in 2009 GDP will decline by approximately 5% in CEE and SEE countries and approximately 6.7% in CIS countries, with an overall recovery of slightly less than 2% only in 2010.
The downtrend in inflation seems to have come to an end in parallel to the improvement in the economic cycle. The change in the prices of a composite basket that includes the main emerging economies, after falling below 4% at the end of June 2009, began to rise again in August, reaching 4.3%. The International Monetary Fund raised its estimates for inflation in emerging countries for both 2009 (to 5.5%, +0.2% compared to July) and 2010 (4.9%, +0.3% compared to July). With an inflation rate half that of the peak level in summer 2008 (over 9% on average) and given the easing of concerns regarding the direction of the financial crisis, monetary authorities in various areas, especially in CEE/SEE/CIS countries, were able to loosen policy rates from the particularly high levels reached during the most severe phase of the financial crisis.

The Italian banking system

The interest rates applied to bank customers continued to fall over the summer months to reach new all-time lows.
At industry level, the third quarter saw a further decrease in the cost of money for both businesses and households, while the drop in funding rates was more moderate, due in part to the previously low levels. Conditions of access to credit were more favourable in the third quarter than in the second.
The consolidation of lending conditions was reflected in the fluctuation of the mark-up[1], which ranged between 3.80 and 3.90 points during the quarter. The spread on funding transactions (mark-down[2]) continued to shrink, reaching an all-time low in September of 0.11 points, 33 basis points below the level at the end of June.
The above trends resulted in a further tightening of the banking spread between the return on loans and the cost of funding to 2.23 points, 23 basis points below the figure reported at the end of the second quarter.
The downward trend in bank interest rates should slow down in the final months of the year, also considering that monetary rates are expected to remain largely unvaried; therefore, rates should stabilise around the minimum levels reached. Lending spreads could begin a gradual turnaround if the signs of a recovery in the economic scenario become more definite. If this is the case, a moderate improvement in money management spreads might also be expected.

During the summer, the rate of growth of lending continued to slow in conjunction with an economic scenario that remained scarcely brilliant, albeit showing a slight improvement on the previous months. Bank lending continued to grow, driven by the longer-maturity component. On average, the performance in the third quarter, on an annual basis, was slightly above the eurozone average, where the same aggregate was down 0.3% in September.
The growth of the credit sector seems set to continue to slow in the rest of the year, reflecting demand factors and the persistent conservative stance taken by the banking industry. In this respect, it should be noted that the rise in the risk level of lending and deposit collecting operations is demonstrated by the increase in the annualised ratio of new non-performing loans to outstanding loans.
The depressed state of consumer spending and the persistent phase of stagnation in the real-estate market have limited the growth of household business, although the low point in the growth cycle now seems to be over. In September, lending to households rose, showing strong growth in the home mortgage segment, while consumer credit remained stagnant.
The third quarter continued to see slowing growth of lending to businesses, with growth rates falling to near zero. In further detail, in September lending to non-financial firms rose due to the decrease in the component with maturities of up to one year and the growth in medium-/long-term loans, which also reflected the needs of many companies to restructure their debt. This was the context for the agreement between the Italian Bankers' Association and the main business associations to allow small and medium enterprises with strong prospects but temporary financial difficulties to suspend payment of instalments of previously contracted loans for a maximum of 12 months.
Breaking down the results by segment, loans to the manufacturing industry continued to decline. Lending to the construction and service industry grew, albeit at a much lower level than in previous months. In this latter industry, loans to the commercial sector decreased significantly.
Prospects for corporate lending indicate a further gradual decline due to the negative impact of the economic downturn both on investments and on the demand for working capital. However, there should still be some signs of a recovery in the last part of the year, provided that confidence indicators continue on their current uptrend.
Direct customer deposits with banks continued to rise sharply in the third quarter, reflecting the market's persistent risk aversion, which has driven investors to privilege short-term investments, especially the most highly liquid short-term investments, which now present a very modest opportunity cost given the marked decrease in interest rates. However, this trend is showing signs of slowing, especially for longer-term forms of funding, in parallel to the trend shown by loans on the same maturities.
The overall harmonised aggregate (funding in euro held by financial institutions other than central banks) continued to show robust average annual growth during the quarter, driven by the rise in deposits, and current accounts in particular, as well as in bonds.

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

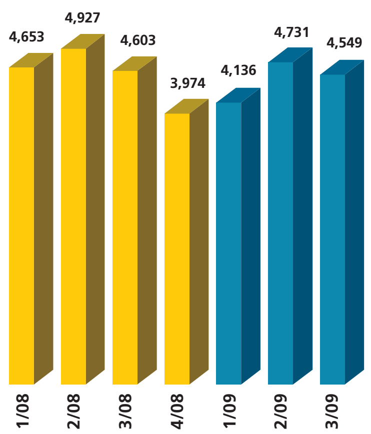
[2] Difference between the 1-month Euribor and the yield of household and business current accounts.

The strong preference for liquidity is also accompanied by a growing trend to seek out returns owing to the low level of compensation reached by the lowest-risk investment instruments. This contributed to the reinforcement of the recovery of the asset management market, which continued in the third quarter.
The life-insurance policy market continued to focus primarily on the sale of low-risk products, such as Class I policies (capital redemption and assurance on death), which rose significantly in the period; in contrast, unit- and index-linked policies decreased significantly.

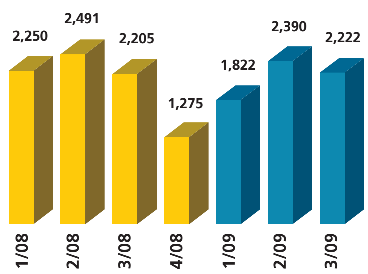
Intesa Sanpaolo in the first nine months of 2009

The results recorded in the first nine months of the year reflect the general negative situation of the economy and the financial markets. During a recession that may be considered one of the worst of the last few decades, Intesa Sanpaolo has succeeded in limiting the decrease in its operating income through attentive management of its lending and deposit collecting operations, a selective search for financial instrument trading opportunities, and effective operating cost control.
The income statement closed with a net income of 2,262 million euro, down approximately 40% compared to the same period in 2008, primarily due to a marked increase in adjustments to loans and to the different effect of non-recurring components: capital gains on sales, merger and restructuring-related charges, acquisition cost amortisations and tax redemption of captions. Operating margin, which is not affected by these components, decreased by a more moderate 7.4%, from 6,946 to 6,434 million euro. Revenues performed well, despite the combined negative impact on interest of the elimination of overdraft charges and the further fall in market returns to their all-time lows with negative consequences for mark-down, while structural cost reduction continued to be pursued effectively.
Operating income remained at appreciable levels in the third quarter, although it was down slightly on the second quarter, essentially due to the elimination of overdraft charges and the summer season.

Operating income
(in millions of euro)



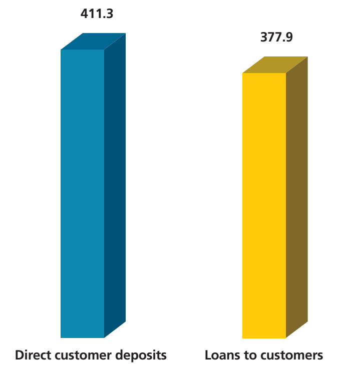
Operating
(in millions of euro)



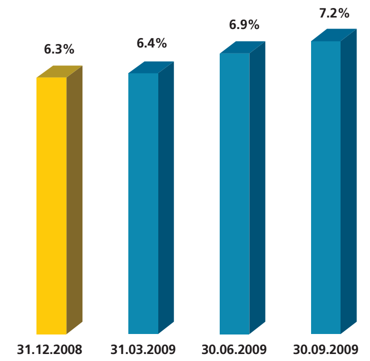
It should be noted that these results were achieved while maintaining a constant focus on sustainable profitability, and therefore on liquidity, solidity and a low risk profile, which remain the Group's priorities.
With regard to solidity, the actions carried out during the period yielded marked improvements in capital ratios through the Group's operational management alone: the core tier 1 ratio rose from 6.3% at the end of 2008 to 7.2% as at 30 September 2009.
In the light of the results achieved, Intesa Sanpaolo decided non to issue the Tremonti Bonds, while confirming the intention to maintain the Group's Core Tier 1 ratio and Tier 1 ratio at structural levels non lower than 7% and 8% respectively in the coming years
The solidity is also confirmed by the continuing low level of leverage, represented by a ratio of shareholders' equity to total assets, net of intangible captions, of 4.2%.
With regard to liquidity, direct customer deposits (70% of which from the retail segment) equal to 411 billion euro (net of the liabilities of the insurance segment) are markedly higher than the corresponding loans to customers (378 billion euro), and funding in the first nine months of the year

exceeded all maturities reached in 2009. Net interbank position is positive by 4.3 billion euro and eligible assets with central banks have almost doubled on year-end 2008.

Direct customer deposits / Loans to customers
(in billions of euro)

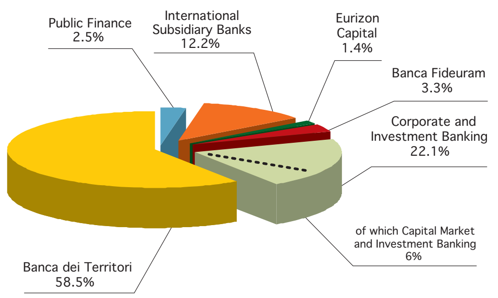


Core Tier 1 ratio



The general risk profile remains moderate both in lending and deposit collection operations, due to the strong foothold on the domestic retail market, the modest level of loans in Central Eastern Europe, and adequate coverage of non-performing loans, and in capital market operations, given the limited incidence on the Group's accounts of capital market and investment banking activities, which represent a mere 6% of the net income of the Group's operating areas. The trading book's VaR also remained at moderate levels.

Operating income: Breakdown by business area



Market risks trend: VaR (in millions of euro)

Breaking down the income statement into its various operating components, net interest income stood at 8,071 million euro, down 7.7% on the first nine months of 2008 and 6.3% on the previous quarter. The decrease was primarily due to the contraction in funding spreads, the elimination of overdraft charges (only partially offset by the new fee scheme, which is more favourable to customers), and the rise in non-performing loans. The cost of funding was also affected by funding policies that deliberately privileged liquidity objectives. The quarterly decline in net interest income was due to the further contraction of the mark-down and the elimination of overdraft charges.
Net fee and commission income (3,958 million euro) fell 13.7% compared to 2008, primarily attributable to lending and deposit collecting operations and asset management, which, despite showing signs of a recovery, are still affected by the negative market performance and customers' persistent strong risk aversion. The increase on the previous quarter (+1.7%) was more markedly affected by the aforementioned new fee scheme for access to funds adopted in late June, as well as the growth of the asset management (+6%) and insurance products (+6.7%) component.

As market conditions improved, the trading of financial instruments generated significant net income in the first nine months (993 million euro compared to 301 million euro in September 2008) owing to larger profits on capital markets and financial assets available for sale, more highly effective management of the proprietary portfolio, and the lesser need for adjustments to structured credit products. The caption's performance at the quarterly level was favourably affected not only by the bull market situation, but also by profits realised on the disposal of equity interests, against the backdrop of strong performances in all business segments.

Income from the insurance business also rose compared to the first nine months of 2008 (+32.8% to 304 million euro), due in part to the greater contribution of the investment component. The contribution in the third quarter was substantially stable compared to the previous quarter.

Operating costs (-3.5% to 6,982 million euro) confirmed the trend towards a structural decrease in costs that began in 2008. The trend may be attributed to lower personnel costs (-3.4%) and lower adjustments (-17.7%), while administrative expenses remained largely stable (-0.3%), despite the rise in costs due to the introduction of non-deductible VAT on intragroup services.

After recognising other operating income of 42 million euro (down sharply from 219 million euro in 2008, which was driven by the positive conclusion of a transaction), the operating margin, as stated above, came to 6,434 million euro at 30 September 2009 (-7.4% on 30 September 2008).

On a quarterly basis, the third-quarter operating margin (2,222 million euro) was down on the previous quarter (-7%), largely due to the aforementioned lesser contribution of net interest income.

Adjustments and provisions recognised during the period came to a total of 2,910 million euro, up considerably from 1,772 million euro recognised in the same period of 2008. In further detail, adjustments to loans were 2,637 million euro, up approximately 68% on the first nine months of 2008. The increase in adjustments and provisions is the expected and inevitable consequence of the economic crisis, which has hit both businesses and households, weakening their financial position and limiting their resources. Although the projected increase in these costs has also been confirmed for 2009, the third quarter showed a significant decrease in adjustments to loans compared to the second quarter (from 1,081 to 823 million euro).

During the period, provisions for risks and charges amounted to 198 million euro, whereas impairment losses on other assets (mainly securities available for sale) were 75 million euro.

As at 30 September 2009, Income before tax from continuing operations amounted to 3,552 million euro, down compared to the same period of 2008: this contraction is attributable both to the increase in adjustments to loans and to the almost complete absence of income from disposal of financial assets, which in 2008 had contributed 474 million euro to the aggregate.

The lesser tax expense (834 million euro compared to 1,797 million euro in the first nine months of 2008) was due to the positive effect of the redemption of intangible assets and employee termination indemnities, as described in the Half-yearly report. Overall, these positive effects amount to 537 million euro.

The recognition of 130 million euro in merger and restructuring-related charges (475 million euro in 2008), 295 million euro in the amortisation of equity investment acquisition costs (432 million euro in 2008), 45 million euro in income from non-current assets held for sale and discontinued operations (976 million euro in 2008), and 76 million euro of minority-interest net income for the period (139 million euro in 2008) resulted in a net income of 2,262 million euro, down from 3,781 million euro in the first nine months of 2008, due in part to the differing contributions made by the latter non-recurring components.

On a quarterly basis, net income for the period, 675 million euro, was up 31.4% on the second quarter and 19.5% on the first quarter (excluding the positive effect of the redemption of intangible assets).

As to an analysis of the results achieved by the various operating divisions, Banca dei Territori reported a decrease in earnings (net income of 1,038 million euro, -30.4% on the same period of 2008), largely due to net interest income, as a result of the decrease in the mark-down and the elimination of overdraft charges, and to net fee and commission income, owing in part to the lesser contribution of assets under management. The same trends, along with the seasonal effect of summer, also had an impact on the results for the third quarter (259 million euro, -34.7% on the previous quarter).

The Corporate and Investment Banking Division reported an increase in results both compared to the first nine months of 2008 (1,096 million euro compared to 643 million euro, or +70.5%) and on a quarterly basis (445 million euro against 376 million euro in the second quarter), owing to the strong performance of revenue and the containment of operating costs. The third quarter was also positively affected by a significant decline in adjustments to loans.

Public Finance reported a sharp increase in net income in the first nine months of the year (111 million euro compared to 16 million euro in the first nine months of 2008), which may be attributed to the uptrend in operating income, the effective containment of operating costs, and the lesser need for

adjustments to account for credit risk. On a quarterly basis, the Unit's performance accelerated further (net income of 43 million euro compared to 14 million euro in the second quarter) due to the sharp decline in adjustments to loans.
The International Subsidiary Banks Division showed substantial stability of operating results and a decrease in costs. These trends were positively reflected in quarterly net income (92 million euro, +12.6% on the second quarter), whereas net income for the first nine months of the year (254 million euro, -49.6%) was penalised by adjustments to loans recognised in the first part of the year.
The results of Eurizon Capital and Banca Fideuram continued to fall on an annual basis (42 million euro, -25% and 67 million euro, -9.5%, respectively), due in part to the difficult situation of the asset management market.

As to balance sheet aggregates, loans to customers at 30 September 2009 totalled 378 billion euro, down 4.4% from 31 December 2008. Customer financial assets totalled 1,006 billion euro and rose 2.3% from year-end 2008, while direct customer deposits remained stable (434 billion euro, +0.7%), benefiting from the markets' positive response to the notes offers carried out by the Group during the period.
Indirect customer deposits performed well (+3.7% to 598 billion euro), driven by assets under administration, and most significantly by assets under management and life insurance policies, which more than offset the decline in mutual funds.
Analysis by operating division shows a moderate decline in loans in the retail, corporate and international banks segments, and a rise in the public finance segment. Direct customer deposits increased slightly in the retail segment, up sharply in the corporate segment, and down in the international banks segment.

The performance in the first nine months of the year confirmed the effective implementation of the actions outlined for 2009 and disclosed to the market along with the results for 2008. Those actions, in turn, reflected management policies with a medium-term focus that allowed the Group to:
- manage revenue generation, in particular by counteracting the pressure on net interest income due to market yields at their all-time low by means of attentive pricing and partial hedging against a declining interest rate environment;
- continue the downward trend of operating costs, in spite of the effect of the introduction of non-deductible intragroup VAT;
- maintain a low risk profile due to the conservative risk management underlying both the relatively contained net adjustments to loans and the positive trend of trading profits linked to well performing financial markets.

In the light of the results for the first nine months of the year and the contribution of approximately 260 million euro from the finalisation of the Findomestic sale expected in the fourth quarter, it seems reasonable that consolidated net income for 2009 may exceed that recorded in 2008.

The Intesa Sanpaolo Group

Intesa Sanpaolo

- Head Office Departments

Public Finance
- Banca Infrastrutture Innovazione e Sviluppo

Corporate and Investment Banking Division
- Banca IMI
- IMI Investimenti
- Intesa Sanpaolo Bank Ireland
- Leasint
- Mediofactoring
- Sanpaolo Bank Luxembourg
- Société Européenne de Banque
- Zao Banca Intesa

Banca dei Territori Division
- Intesa Sanpaolo
- Banca CR Firenze
- Banca dell'Adriatico
- Banca di Credito Sardo
- Banca di Trento e Bolzano
- Banco di Napoli
- Cassa dei Risparmi di Forlì e della Romagna
- Cassa di Risparmio del Friuli Venezia Giulia
- Cassa di Risparmio del Veneto
- Cassa di Risparmio di Venezia
- Cassa di Risparmio in Bologna
- Casse del Centro
- Banca Prossima
- Centrovita Assicurazioni
- EurizonTutela
- EurizonVita
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- Mediocredito Italiano
- Setefi
- Sirefid
- Sud Polo Vita

International Subsidiary Banks Division
- Banca Intesa Beograd
- Bank of Alexandria
- Banka Koper
- CIB Bank
- Intesa Sanpaolo Bank Albania
- Intesa Sanpaolo Bank Romania
- Intesa Sanpaolo Banka Bosna i Hercegovina
- KMB Bank
- Pravex-Bank
- Privredna Banka Zagreb
- VUB Banka

Other Group Subsidiaries
- Banca Fideuram
- Eurizon Capital

Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets	30.09.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	77,653	61,080	16,573	27.1
Financial assets designated at fair value through profit and loss	21,927	19,727	2,200	11.2
Financial assets available for sale	35,803	29,083	6,720	23.1
Investments held to maturity	4,772	5,572	-800	-14.4
Due from banks	48,113	56,371	-8,258	-14.6
Loans to customers	377,896	395,189	-17,293	-4.4
Investments in associates and companies subject to joint control	3,058	2,845	213	7.5
Property, equipment and intangible assets	31,552	32,406	-854	-2.6
Tax assets	6,825	7,495	-670	-8.9
Non-current assets held for sale and discontinued operations	638	1,520	-882	-58.0
Other assets	23,371	24,845	-1,474	-5.9
Total Assets	**631,608**	**636,133**	**-4,525**	**-0.7**

Liabilities and Shareholders' Equity	30.09.2009	31.12.2008	Changes	
			amount	%
Due to banks	43,829	51,745	-7,916	-15.3
Due to customers and securities issued	407,556	405,778	1,778	0.4
Financial liabilities held for trading	45,330	45,870	-540	-1.2
Financial liabilities designated at fair value through profit and loss	26,424	25,119	1,305	5.2
Tax liabilities	3,084	4,461	-1,377	-30.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	1,021	-1,021	
Other liabilities	24,593	26,368	-1,775	-6.7
Technical reserves	22,510	20,248	2,262	11.2
Allowances for specific purpose	5,224	5,469	-245	-4.5
Share capital	6,647	6,647	-	-
Reserves	43,612	41,166	2,446	5.9
Valuation reserves	-589	-1,412	-823	-58.3
Minority interests	1,126	1,100	26	2.4
Net income	2,262	2,553	-291	-11.4
Total Liabilities and Shareholders' Equity	**631,608**	**636,133**	**-4,525**	**-0.7**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Quarterly development of the consolidated balance sheet

(in millions of euro)

Assets	2009			2008			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	77,653	74,750	78,862	61,080	49,560	54,853	53,273
Financial assets designated at fair value through profit and loss	21,927	20,958	20,218	19,727	20,479	20,915	20,499
Financial assets available for sale	35,803	32,802	32,493	29,083	30,687	36,906	38,763
Investments held to maturity	4,772	5,241	5,461	5,572	5,763	5,976	5,709
Due from banks	48,113	50,218	47,672	56,371	75,160	71,077	69,881
Loans to customers	377,896	386,324	387,486	395,189	383,664	370,907	359,434
Investments in associates and companies subject to joint control	3,058	2,983	2,975	2,845	2,889	2,809	2,857
Property, equipment and intangible assets	31,552	31,778	32,126	32,406	34,947	34,844	33,103
Tax assets	6,825	7,239	7,439	7,495	4,159	4,158	3,766
Non-current assets held for sale and discontinued operations	638	638	434	1,520	4,379	4,704	4,568
Other assets	23,371	25,511	24,138	24,845	22,428	20,823	17,198
Total Assets	**631,608**	**638,442**	**639,304**	**636,133**	**634,115**	**627,972**	**609,051**

Liabilities and Shareholders' Equity	2009			2008			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	43,829	47,301	48,049	51,745	64,135	62,786	71,223
Due to customers and securities issued	407,556	416,530	411,113	405,778	406,647	392,328	366,401
Financial liabilities held for trading	45,330	41,327	48,749	45,870	27,946	29,831	29,988
Financial liabilities designated at fair value through profit and loss	26,424	25,922	25,151	25,119	25,837	26,512	26,905
Tax liabilities	3,084	2,908	4,568	4,461	3,998	4,040	4,929
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	1,021	2,408	2,735	2,480
Other liabilities	24,593	26,565	25,845	26,368	24,054	29,821	27,023
Technical reserves	22,510	20,803	19,799	20,248	21,151	21,783	22,540
Allowances for specific purpose	5,224	5,242	5,452	5,469	6,064	6,531	6,601
Share capital	6,647	6,647	6,647	6,647	6,647	6,647	6,647
Reserves	43,612	43,548	43,697	41,166	41,098	41,109	41,154
Valuation reserves	-589	-1,041	-1,905	-1,412	-714	-299	-49
Minority interests	1,126	1,102	1,064	1,100	1,063	1,041	1,460
Net income	2,262	1,588	1,075	2,553	3,781	3,107	1,749
Total Liabilities and Shareholders' Equity	**631,608**	**638,442**	**639,304**	**636,133**	**634,115**	**627,972**	**609,051**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Consolidated income statement

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Net interest income	8,071	8,740	-669	-7.7
Dividends and profits (losses) on investments carried at equity	48	108	-60	-55.6
Net fee and commission income	3,958	4,586	-628	-13.7
Profits (Losses) on trading	993	301	692	
Income from insurance business	304	229	75	32.8
Other operating income (expenses)	42	219	-177	-80.8
Operating income	**13,416**	**14,183**	**-767**	**-5.4**
Personnel expenses	-4,159	-4,304	-145	-3.4
Other administrative expenses	-2,341	-2,347	-6	-0.3
Adjustments to property, equipment and intangible assets	-482	-586	-104	-17.7
Operating costs	**-6,982**	**-7,237**	**-255**	**-3.5**
Operating margin	**6,434**	**6,946**	**-512**	**-7.4**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-198	-154	44	28.6
Net adjustments to loans	-2,637	-1,567	1,070	68.3
Net impairment losses on other assets	-75	-51	24	47.1
Profits (Losses) on investments held to maturity and on other investments	28	474	-446	-94.1
Income (Loss) before tax from continuing operations	**3,552**	**5,648**	**-2,096**	**-37.1**
Taxes on income from continuing operations	-834	-1,797	-963	-53.6
Merger and restructuring-related charges (net of tax)	-130	-475	-345	-72.6
Effect of purchase price allocation (net of tax)	-295	-432	-137	-31.7
Income (Loss) after tax from discontinued operations	45	976	-931	-95.4
Minority interests	-76	-139	-63	-45.3
Net income	**2,262**	**3,781**	**-1,519**	**-40.2**
Basic EPS - euro	**0.18**	**0.30**		
Diluted EPS - euro	**0.18**	**0.30**		

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Quarterly development of the consolidated income statement

(in millions of euro)

	2009			2008				
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,605	2,779	2,687	2,890	3,045	2,897	2,798	2,908
Dividends and profits (losses) on investments carried at equity	18	36	-6	30	13	29	66	35
Net fee and commission income	1,363	1,340	1,255	1,286	1,401	1,558	1,627	1,468
Profits (Losses) on trading	447	439	107	-354	17	244	40	-13
Income from insurance business	116	124	64	171	43	107	79	100
Other operating income (expenses)	-	13	29	-49	84	92	43	43
Operating income	**4,549**	**4,731**	**4,136**	**3,974**	**4,603**	**4,927**	**4,653**	**4,539**
Personnel expenses	-1,400	-1,360	-1,399	-1,442	-1,405	-1,441	-1,458	-1,437
Other administrative expenses	-759	-824	-758	-1,031	-793	-801	-753	-845
Adjustments to property, equipment and intangible assets	-168	-157	-157	-226	-200	-194	-192	-203
Operating costs	**-2,327**	**-2,341**	**-2,314**	**-2,699**	**-2,398**	**-2,436**	**-2,403**	**-2,484**
Operating margin	**2,222**	**2,390**	**1,822**	**1,275**	**2,205**	**2,491**	**2,250**	**2,055**
Goodwill impairment	-	-	-	-1,065	-	-	-	-266
Net provisions for risks and charges	-66	-63	-69	-164	-76	-45	-33	-80
Net adjustments to loans	-823	-1,081	-733	-999	-854	-401	-312	-642
Net impairment losses on other assets	4	-72	-7	-898	-40	-3	-8	-237
Profits (Losses) on investments held to maturity and on other investments	13	15	-	-208	177	284	13	67
Income (Loss) before tax from continuing operations	**1,350**	**1,189**	**1,013**	**-2,059**	**1,412**	**2,326**	**1,910**	**897**
Taxes on income from continuing operations	-510	-489	165	1,617	-488	-701	-608	-45
Merger and restructuring-related charges (net of tax)	-44	-38	-48	-182	-86	-68	-321	-164
Effect of purchase price allocation (net of tax)	-98	-102	-95	-656	-148	-153	-131	-272
Income (Loss) after tax from discontinued operations	-5	-15	65	60	11	-5	970	259
Minority interests	-19	-32	-25	-8	-27	-41	-71	-37
Net income	**674**	**513**	**1,075**	**-1,228**	**674**	**1,358**	**1,749**	**638**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Report on operations

Economic results

Operating income

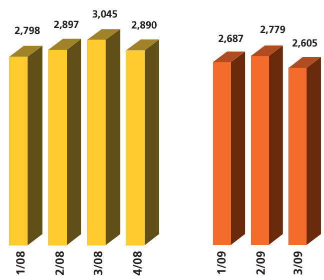
In a continuing market recession, the Group's net operating income for the first nine months of 2009 reached 13,416 million euro, down 5.4% on the same period last year. However, the annual trend showed signs of recovery compared to the past quarters.
Changes of the period were mainly due to the decline in fee and commission income (-13.7%), reflecting, in particular, the negative performance of the assets under management and dealing of securities segment, and the decrease in net interest income (-7.7%) attributable, above all, to the reduced mark-down on deposits. Conversely, income from insurance business and profits on trading more than tripled compared to the same period last year, thanks to the positive performance of financial markets.
Income for the third quarter of 2009 amounted to 4,549 million euro. Although this result is lower than that recorded in the previous quarter, it exceeds the 4,136 million euro recorded in the first quarter of the year. The decrease recorded between the third and the second period is mainly due to a reduction in net interest income. Conversely, profits from trading and net fee and commission income slightly increased.

Net interest income

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Relations with customers	10,073	12,157	-2,084	-17.1
Relations with banks	20	184	-164	-89.1
Securities issued	-4,493	-5,056	-563	-11.1
Differentials on hedging derivatives	992	-372	1,364	
Financial assets held for trading	643	747	-104	-13.9
Investments held to maturity	136	201	-65	-32.3
Financial assets available for sale	385	553	-168	-30.4
Non-performing assets	513	414	99	23.9
Other net interest income	-198	-88	110	
Net interest income	**8,071**	**8,740**	**-669**	**-7.7**

Quarterly development of net interest income



Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

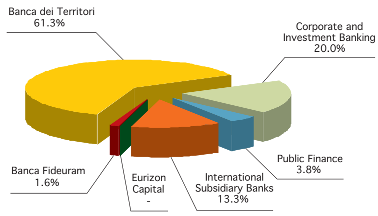
Net interest income for the first nine months of the year, accounting for 60% of income, is equal to 8,071 million euro, down 7.7% on the same period in 2008.
Margins from operations with customers, including interest on securities issued and differentials on hedging derivatives, amounted to 6,572 million euro, down (-2.3%) on the first nine months of 2008. Their performance was mostly affected by the narrowing of spreads on deposits due to rate decreases, the elimination of overdraft charges and the increase in non-performing loans. Cost of funding was also influenced by the funding policies geared towards liquidity objectives, focusing on stable and well-diversified forms of funding. Net interest income from financial investments fell by 22.5%, from 1,501 million euro to 1,164 million euro.
The analysis of the third quarter with respect to the second quarter confirms a decrease partly due to the effects of the elimination of overdraft charges as part of the new commission system introduced at the end of June, which is more favourable to customers.

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Banca dei Territori	4,922	5,673	-751	-13.2
Corporate and Investment Banking	1,607	1,150	457	39.7
Public Finance	308	221	87	39.4
International Subsidiary Banks	1,063	1,070	-7	-0.7
Eurizon Capital	2	7	-5	-71.4
Banca Fideuram	125	118	7	5.9
Total business areas	**8,027**	**8,239**	**-212**	**-2.6**
Corporate Centre	44	501	-457	-91.2
Intesa Sanpaolo Group	**8,071**	**8,740**	**-669**	**-7.7**

Figures restated where required by international accounting standards, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



Banca dei Territori, which accounts for 61% of business area results, recorded a 13.2% decrease in net interest income, mainly due to the reduced mark-down on deposits and the elimination of overdraft charges. International Subsidiary Banks also posted a decline, albeit of a lesser amount (-7 million euro), mainly due to the effects of the exchange rate, as did Eurizon Capital (-5 million euro). Conversely, the Corporate and Investment Banking division grew (+39.7%) particularly driven by the increase in average loan volumes added to which was an increased mark-up, principally caused by the effects of repricing policies, as did Public Finance (+39.4%), also following widened spreads, and Banca Fideuram (+5.9%).

Dividends and profits on investments carried at equity

Dividends and profits on investments carried at equity totalled 48 million euro, of which 25 million euro from the stake in the capital of the Bank of Italy and 23 million euro from the measurement of consolidated companies using the equity method (43 million euro consisting of the positive contribution of Intesa Vita which largely offset the negative results of other companies). The caption registered a 60 million decrease from the 108 million euro profit recorded in the corresponding period of the previous year, due to the exclusion of contributions from investments disposed of (Agos and Centrale dei Bilanci) and the generalised worsening of the results of investments carried at equity. Please note that the dividends relate to non-consolidated companies, excluding those on shares held for trading and AFS securities recorded under profit (loss) on trading.

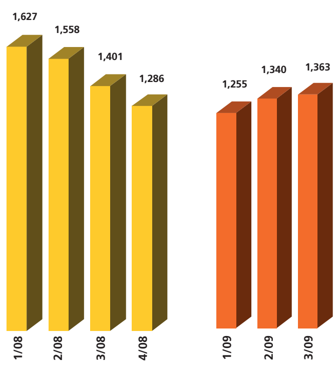
Net fee and commission income

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Guarantees given	222	196	26	13.3
Collection and payment services	252	302	-50	-16.6
Current accounts	668	674	-6	-0.9
Credit and debit cards	309	346	-37	-10.7
Commercial banking activities	**1,451**	**1,518**	**-67**	**-4.4**
Dealing and placement of securities	293	430	-137	-31.9
Currency dealing	40	49	-9	-18.4
Portfolio management	765	1,097	-332	-30.3
Distribution of insurance products	521	585	-64	-10.9
Other	164	175	-11	-6.3
Management, dealing and consultancy activities	**1,783**	**2,336**	**-553**	**-23.7**
Other net fee and commission income	**724**	**732**	**-8**	**-1.1**
Net fee and commission income	**3,958**	**4,586**	**-628**	**-13.7**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Quarterly development of net fee and commission income



Net fee and commission income for the first nine months of the year, which makes up almost 30% of total operating income, was 3,958 million euro, down 13.7% from the same period last year. The reduction was the result of a mix of financial products with a lower added value, following investors' preference for liquid, low-risk investments and the loss of most up-front commissions on third-party bonds' placements, which was also due to the policy choice of focusing on the Group's own liquidity by issuing own bonds.
Commercial banking activities generated net fee and commission income of 1,451 million euro

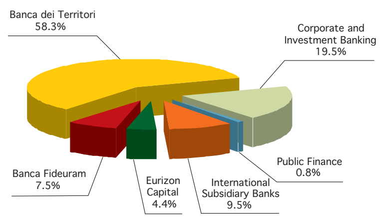
(-4.4% compared to the first nine months of 2008). This decrease was driven by the fall in commissions on collection and payment services (-50 million euro) and on credit and debit cards (-37 million euro) also owing to the unfavourable economic climate and the consequent contraction of consumption. Despite the continuing popularity of low-cost current accounts, commissions in this segment were substantially unchanged thanks to the introduction of the commitment fee. Conversely, commissions on guarantees given grew 13.3%.
Management, dealing and consultancy activities overall generated net fee and commission income of 1,783 million euro, down 23.7% with respect to the first nine months of 2008. The greatest decline was in portfolio management, more specifically collective and individual asset management, down by 332 million euro (-30.3%), followed by financial product placement which fell by 137 million euro (-31.9%). Commissions on distribution of insurance products fell by 64 million euro. Smaller decreases were recorded in other management and dealing commissions (11 million euro) and fee and commission income from currency dealing (-9 million euro).
The analysis of the trend for the quarter confirms the recovery of commission income which had begun in the second quarter of the year and continued in the third quarter with a 1.7% increase. As already discussed, the quarter benefited from the introduction of the commitment fee and the recovery of the assets under management (+6%) and insurance products segment (+6.7%).

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Banca dei Territori	2,379	2,898	-519	-17.9
Corporate and Investment Banking	794	672	122	18.2
Public Finance	31	35	-4	-11.4
International Subsidiary Banks	388	448	-60	-13.4
Eurizon Capital	178	254	-76	-29.9
Banca Fideuram	307	372	-65	-17.5
Total business areas	**4,077**	**4,679**	**-602**	**-12.9**
Corporate Centre	-119	-93	26	28.0
Intesa Sanpaolo Group	**3,958**	**4,586**	**-628**	**-13.7**

Figures restated where required by international accounting standards, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



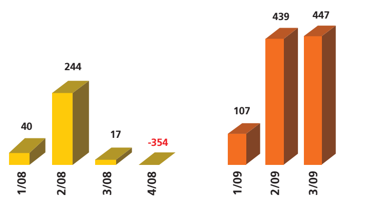
Breakdown by business areas shows that the decrease in net fees and commissions from the first nine months of 2008 is mainly attributable to Banca dei Territori (-17.9%), which accounts for 58% of total fee and commission income from the business units; this decline was mainly driven by the contraction in management and financial intermediation. Decreases were recorded also by Eurizon Capital (-29.9%) and Banca Fideuram (-17.5%) as a result of the reduction in assets under management and their reorganisation favouring less profitable products. International Subsidiary Banks (-13.4%) were affected by the lower contribution of the assets under management, credit and debit cards and guarantees given segments. Public Finance also posted a decline, albeit of a lesser amount (-4 million euro), mainly due to the lower income from structuring activities on behalf of customers. An opposite trend was seen in Corporate and Investment Banking, with an increase in net fees and commissions (+18.2%) attributable to the primary market (equity and debt capital markets) and to M&A advisory activity.

Profits (Losses) on trading

(in millions of euro)

	30.09.2009	30.09.2008	Changes amount	Changes %
Interest rates	577	-115	692	
Capital instruments	150	-22	172	
Currencies	218	287	-69	-24.0
Structured credit products	-36	-236	-200	-84.7
Credit derivatives	-41	132	-173	
Commodity derivatives	12	4	8	
Trading result	**880**	**50**	**830**	
Trading on AFS securities and financial liabilities	**113**	**251**	**-138**	**-55.0**
Profits (Losses) on trading	**993**	**301**	**692**	

Quarterly development of profits (losses) on trading



Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

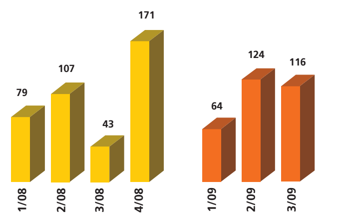
Profits on trading, amounting to 993 million euro, grew considerably, and more than tripled compared to the first nine months of 2008. The main contributing factors were higher profits from capital markets, specifically the fixed income and credit segments, and effective proprietary portfolio management, given lower write-downs of structured credit products.
Conversely, dividends and profits from securities classified as financial assets available for sale were lower.
With respect to the third quarter, the above-mentioned good performance of the markets confirmed and improved the results posted in the previous quarters of the year. The third quarter includes the profits arising from the sale of the equity stakes held in Natixis and Banca Generali (86 and 28 million euro, respectively) and the write-backs of structured products and credit derivatives (39 million euro) as well as hedge funds (50 million euro).

Income from insurance business

(in millions of euro)

	30.09.2009			30.09.2008			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Premiums and payments [(a)]	-397	81	-316	107	87	194	-510	
net premiums	*4,607*	*105*	*4,712*	*1,223*	*117*	*1,340*	*3,372*	
net charges for claims and surrendering of policies	*-2,806*	*-26*	*-2,832*	*-3,514*	*-28*	*-3,542*	*-710*	*-20.0*
net charges for changes in technical reserves	*-2,198*	*2*	*-2,196*	*2,398*	*-2*	*2,396*	*-4,592*	
Net income from financial instruments designated at fair value through profit and loss [(b)]	571	-	571	-75	-	-75	646	
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	499	7	506	520	7	527	-21	-4.0
Other income/charges from insurance business [(d)]	-399	-58	-457	-370	-47	-417	40	9.6
Income from insurance business	**274**	**30**	**304**	**182**	**47**	**229**	**75**	**32.8**

Quarterly development of income from insurance business



Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

[(a)] The caption includes collections, payments and provisions for the integration of reserves referred solely to products considered insurance products for IAS/IFRS purposes. The corresponding items regarding products which do not present these characteristics are, instead, accounted for using the same method as for financial movements. The related economic components are included in the caption Net income from financial instruments designated at fair value through profit and loss.

[(b)] The caption includes net income from the measurement of assets and liabilities connected to products considered financial products for IAS/IFRS purposes and those deriving from the measurement of assets accounted for applying the Fair Value Option.

[(c)] The caption registers realised profits and interest / dividends collected on financial assets covering products considered insurance products for IAS/IFRS purposes and on the trading portfolio of the insurance company.

[(d)] The caption includes all other income / charges connected to products considered insurance products for IAS/IFRS purposes, including commission expense.

Income from insurance business, which includes the revenue items of the Group's life and non-life companies, was 304 million euro, up 32.8% compared to the same period in the previous year.
This increase is mainly due to lower tensions on the credit spread which had a positive impact on assets underlying policies. Financial management achieved positive results with respect to traditional products and capital, despite high volatility and modest short-term interest rates. Premium collection increased on the same period in 2008 thanks to the significant contribution of traditional and unit-linked policies, although

index-linked products are no longer placed. Charges for insurance claims of the period decreased by 20%. The non-life business recorded a decline in income due to a slowdown in premium collection and the increase in commissions paid.
Income for the third quarter of the year amounted to 116 million euro and was in line with that of the previous quarter (124 million euro) which had benefited from the collection of 24 million euro dividends and the already mentioned release of supplementary reserves. However, this figure is significantly higher than that for the first quarter of the year (64 million euro).

Other operating income (expenses)

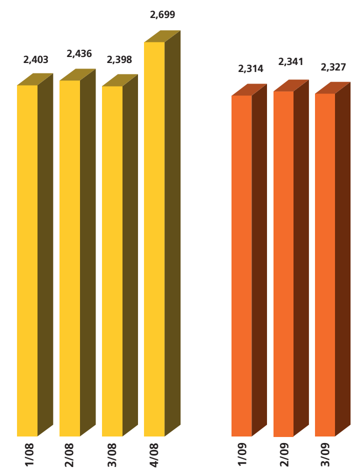
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense and tax recoveries that have led to a reduction in administrative expenses. In this quarter, the caption shows a positive balance of 42 million euro against 219 million euro in the same period of 2008 which included a significant amount (126 million euro) collected following the final settlement of a claim for damages.

Operating costs

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Wages and salaries	2,964	3,074	-110	-3.6
Social security charges	767	776	-9	-1.2
Other	428	454	-26	-5.7
Personnel expenses	**4,159**	**4,304**	**-145**	**-3.4**
Information technology expenses	544	571	-27	-4.7
Management of real estate assets	584	555	29	5.2
General structure costs	345	366	-21	-5.7
Professional and legal expenses	346	341	5	1.5
Advertising and promotional expenses	110	128	-18	-14.1
Indirect personnel costs	89	101	-12	-11.9
Other costs	256	245	11	4.5
Indirect taxes and duties	490	476	14	2.9
Recovery of expenses and charges	-423	-436	-13	-3.0
Administrative expenses	**2,341**	**2,347**	**-6**	**-0.3**
Property and equipment	295	330	-35	-10.6
Intangible assets	187	256	-69	-27.0
Adjustments	**482**	**586**	**-104**	**-17.7**
Operating costs	**6,982**	**7,237**	**-255**	**-3.5**

Quarterly development of operating costs



Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

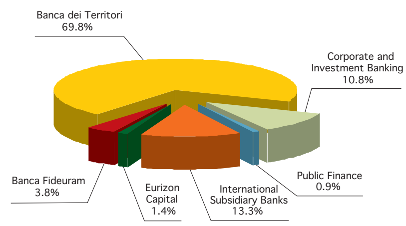
Operating costs for the first nine months of 2009 amounted to 6,982 million euro, down 3.5% on the same period last year, confirming the structural cost reduction launched last year.
Personnel expenses fell by 3.4% to 4,159 million euro, in line with the human resource optimisation policies adopted, leading to staff downsizing in both period-end and average figures.
Administrative expenses amounted to 2,341 million euro and are substantially unchanged (-0.3%) despite the impact of higher VAT on intragroup services, which was introduced on 1 January 2009.
Adjustments were equal to 482 million euro, down 17.7% on the same period in 2008.
With respect to the third quarter, operating costs amounted to 2,327 million euro and are substantially in line with those for the first two quarters of the year.
The cost/income ratio for the first nine months of the year was equal to 52%.

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Banca dei Territori	4,488	4,739	-251	-5.3
Corporate and Investment Banking	693	698	-5	-0.7
Public Finance	58	61	-3	-4.9
International Subsidiary Banks	853	884	-31	-3.5
Eurizon Capital	92	111	-19	-17.1
Banca Fideuram	244	247	-3	-1.2
Total business areas	**6,428**	**6,740**	**-312**	**-4.6**
Corporate Centre	554	497	57	11.5
Intesa Sanpaolo Group	**6,982**	**7,237**	**-255**	**-3.5**

Figures restated where required by international accounting standards, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



The reduction in Group operating costs (-3.5%) was driven by all business units. The greatest cost reductions were made by Banca dei Territori (-251 million euro), which accounts for 70% of business area costs. More limited cost savings in absolute terms were recorded by International Subsidiary Banks (-31 million euro), Eurizon Capital (-19 million euro), Corporate and Investment Banking (-5 million euro), Public Finance (-3 million euro) and Banca Fideuram (-3 million euro).

Operating margin

Operating margin for the first nine months of 2009 was 6,434 million euro, down 7.4% on the corresponding period of the previous year. This change was generated by the significant contraction of the main income items, which was only partly offset by the reduction in operating costs.

Adjustments to/write-backs on assets

Net provisions for risks and charges

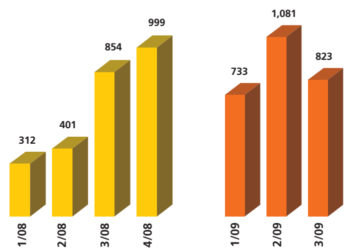
Net provisions for risks and charges amounted to 198 million euro, up 44 million euro on the same period in 2008. Net provisions of the third quarter were in line with those of previous quarters.

Net adjustments to loans

(in millions of euro)

	30.09.2009	30.09.2008	Changes	
			amount	%
Doubtful loans	-1,132	-718	414	57.7
Other non-performing loans	-1,437	-703	734	
Performing loans	-41	-150	-109	-72.7
Net impairment losses on loans	**-2,610**	**-1,571**	**1,039**	**66.1**
Net adjustments to guarantees and commitments	**-27**	**4**	**-31**	
Net adjustments to loans	**-2,637**	**-1,567**	**1,070**	**68.3**

Quarterly development of net adjustments to loans



Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Net adjustments to loans for the period totalled 2,637 million euro, a sharp increase compared to the same period last year (1,567 million euro).
Since autumn 2008, the persistent deterioration of the economic situation has led to a marked increase in non-performing loans, which was paralleled by an increase in net adjustments to doubtful loans and substandard loans.
Therefore, the outlook illustrated in the 2008 financial statements about a significant increase in such charges in 2009 was confirmed. Moreover, in the third quarter of the year, net adjustments decreased considerably with respect to the second quarter (from 1,081 million euro to 823 million euro).

Net impairment losses on other assets
Net impairment losses on assets other than loans in the first nine months of 2009 totalled 75 million euro, up over the 51 million euro recorded in the same period of 2008; they mainly consist of impairments recorded by Group insurance companies on securities available for sale in the first half of the year.

Profits (Losses) on investments held to maturity and on other investments
In the first nine months of 2009, profits on investments held to maturity or on other investments amounted to 28 million euro, compared to 474 million euro for the same period of the previous year, which had benefited from the capital gains from the disposal of Agos (268 million euro). The amount for the period is mainly attributable to the capital gains from the disposal of SI Holding and Intesa Trade, of 13 and 12 million euro, respectively.

Income before tax from continuing operations
Income before tax from continuing operations totalled 3,552 million euro, down 37.1% from the first nine months of 2008. The decrease was driven by the fall in fee and commission income, net adjustments to loans and lower revenues generated by sales of equity investments. The third quarter confirmed the positive trend which began in the second quarter, recording a 13.5% increase in margin on the previous quarter, up from 1,189 million euro to 1,350 million euro.

Other income and expense captions

Taxes on income from continuing operations
Income tax for the period, both current and deferred, registered provisions of 834 million euro, against 1,797 million euro in the first nine months of 2008. The decrease is attributable to the positive effect (arising from the difference between the full-rate deferred taxation - recorded in the income statement - and the reduced-rate substitute tax charge) generated by the redemption of intangible assets and employee termination indemnities. Overall, these positive effects amounted to 537 million euro; net of these effects, the tax rate, significantly affected by the non-deductibility of adjustments to loans for IRAP, came to approximately 39%. The "normalised" tax rate was around 40% considering that the PEX system is applicable to gains from the sale of equities.

Merger and restructuring-related charges (net of tax)
Net of tax effects, merger and restructuring-related charges amounted to 130 million euro, significantly lower than the 475 million euro of the first nine months of 2008, which reflected the charges for employees' access to the Solidarity Allowance, pursuant to Ministerial Decree 158/2000, and merger and restructuring-related IT and consulting costs.

Effect of purchase cost allocation (net of tax)
This caption amounted to 295 million euro and comprised charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. The decrease was due to the distribution of amortisations along a steep downward curve.

Income (Loss) from discontinued operations (net of tax)
Income (loss) after tax from discontinued operations, amounting to 45 million euro, was mainly the result of capital gains from the sale of Cassa di Risparmio di Orvieto and some Group branches operating in the provinces of Pistoia and La Spezia, completed in March 2009.
The result compares to the 976 million euro income for the same period in 2008, which included capital gains from the sale of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige, and the income they generated before disposal.

Net income

The Group's net income for the first nine months of 2009 was 2,262 million euro, against 3,781 million euro in the same period last year.
The different macroeconomic context in the two periods and the different structure of their income statements means their respective results cannot be compared. The Group's performance is more effectively illustrated by a comparison between the quarters of 2009: net income for the third quarter of 2009 of 674 million euro was higher than that for the second quarter by 161 million euro.

Balance sheet aggregates

Loans to customers

(in millions of euro)

	30.09.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	34,679	9.2	37,942	9.6	-3,263	-8.6
Mortgages	165,757	43.9	168,876	42.7	-3,119	-1.8
Advances and other loans	133,890	35.4	153,174	38.8	-19,284	-12.6
Repurchase agreements	7,295	1.9	8,177	2.1	-882	-10.8
Loans represented by securities	18,307	4.8	15,496	3.9	2,811	18.1
Non-performing loans	17,968	4.8	11,524	2.9	6,444	55.9
Loans to customers	**377,896**	**100.0**	**395,189**	**100.0**	**-17,293**	**-4.4**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

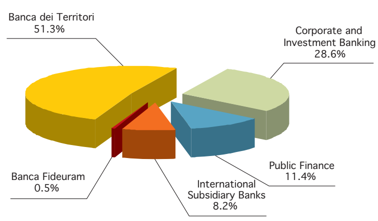
As at 30 September 2009, the Group's loans to customers stood at 378 billion euro, down 4.4% compared to the previous year-end figure. This result was affected by a difficult market reflecting the continuing financial and economic crisis.
The evolution of loans was mainly penalised by the reduction in advances and other loans (-12.6%), current accounts (-8.6%) and repurchase agreements (-10.8%), technical forms used especially by companies and which are affected by the current market sluggishness. Mortgages decreased too, although to a lesser extent (-1.8%), as a consequence of the continuing weak demand for funds by households. Specifically, corporate customers returned to use capital markets as an alternative to bank loans, through recapitalisation transactions and placement of bonds. Conversely, loans represented by securities increased (+18.1%), also as a consequence of the transformation of some unfunded structured credit products (derivatives) into funded products (securities), followed by their classification under the loans portfolio. The increase in non-performing loans had a stronger impact on total loans, up to 4.8%.
As at 30 September 2009, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 16.6% for total loans.

(in millions of euro)

	30.09.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	185,389	192,950	-7,561	-3.9
Corporate and Investment Banking	103,076	112,837	-9,761	-8.7
Public Finance	41,214	38,829	2,385	6.1
International Subsidiary Banks	29,578	29,847	-269	-0.9
Eurizon Capital	-	-	-	-
Banca Fideuram	1,868	1,802	66	3.7
Total business areas	**361,125**	**376,265**	**-15,140**	**-4.0**
Corporate Centre	16,771	18,924	-2,153	-11.4
Intesa Sanpaolo Group	**377,896**	**395,189**	**-17,293**	**-4.4**

Figures restated where required by international accounting standards considering the changes in the scope of consolidation and in business unit constituents.

Business areas



The breakdown of loans by business area shows a 3.9% decrease for Banca dei Territori, which accounts for over half the aggregate attributable to the Group's business areas; the decrease was driven by a reduction in short-term loans whereas medium-/long-term loans remained broadly stable. The Corporate and Investment Banking Division also recorded a decrease (-8.7%) reflecting both a temporary decline in disbursements to large and medium corporate customers and a reduction in Banca IMI's reverse repurchase transactions with institutional operators and financial intermediaries. On the other hand, loans to the public work and infrastructure sector, handled by BIIS increased (+6.1%), due to the new transactions completed during the period and the reclassification of certain debt securities from the "available for sale" to the "loans" category.

Loans to customers: loan portfolio quality

(in millions of euro)

	30.09.2009		31.12.2008		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	4,859	1.3	3,968	1.0	891
Substandard loans	9,017	2.4	5,291	1.3	3,726
Restructured loans	1,994	0.5	399	0.1	1,595
Past due loans	2,098	0.6	1,866	0.5	232
Non-performing loans	**17,968**	**4.8**	**11,524**	**2.9**	**6,444**
Performing loans	341,621	90.4	368,169	93.2	-26,548
Loans represented by performing securities	18,307	4.8	15,496	3.9	2,811
Loans to customers	**377,896**	**100.0**	**395,189**	**100.0**	**-17,293**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

In line with expectations, non-performing loans were conditioned by the economic recession. The Group's credit quality at the end of the first nine months of 2009 showed an increase in non-performing loans both in gross terms (+38.1%) and net of adjustments (+55.9%). This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 2.9% to 4.8%. As at 30 September 2009, the coverage of non-performing loans, pursued through prudent provisioning policies extended to all commercial banks, came to approximately 42.5%, compared to the 49% recorded at the end of 2008. The decrease is mainly due to the inclusion of a position of a significant amount under restructured loans, deemed fully recoverable following the restructuring transaction performed.

During the quarter, doubtful loans totalled 4,859 million euro, with a 891 million euro rise (+22.5%) from the beginning of the year; the incidence on total loans to customers was 1.3%, with a coverage ratio of 68%.

Substandard loans (9,017 million euro) recorded a 70.4% rise with respect to 31 December 2008. This is due to new positions of a significant amount, which however have high collateral coverage, and thus only required limited provisioning; their incidence on total loans increased to 2.4% with a coverage ratio of 22%.

Restructured loans, totalling 1,994 million euro, showed an increase over the 399 million euro at 31 December 2008 mainly due to the abovementioned new position; their coverage ratio is 4%.

Past due loans amounted to 2,098 million euro, increasing by 12.4% and with a coverage ratio of 8%.

Cumulated collective adjustments on performing loans came to 0.7% of gross exposure relating to loans to customers, stable with respect to the figure recorded at the end of the previous year. The risk associated with the performing loan portfolio is calculated collectively on the basis of the risk configuration of the entire portfolio analysed by means of models that consider the Probability of Default (PD) and Loss Given Default (LGD) for each loan.

Customer financial assets

(in millions of euro)

	30.09.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	433,980	43.1	430,897	43.8	3,083	0.7
Indirect customer deposits	598,237	59.5	577,144	58.7	21,093	3.7
Netting [(a)]	-26,195	-2.6	-24,888	-2.5	1,307	5.3
Customer financial assets	**1,006,022**	**100.0**	**983,153**	**100.0**	**22,869**	**2.3**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

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

As at 30 September 2009, customer financial assets amounted to 1,006 billion euro, up 2.3% on the beginning of the year, due to the increase in indirect customer deposits, both under administration and under management, along with a modest increase in direct customer deposits.
As to asset management, the evolution of the aggregate (+4.3%) benefited from an improvement in financial market performance. Specifically, the third quarter was marked by improved perspectives with investors opting for products with a higher risk/return profile given the minimum return levels of low-risk liquidity products.

Direct customer deposits

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certain insurance policies with mainly financial features.

(in millions of euro)

	30.09.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	201,227	46.4	202,559	47.0	-1,332	-0.7
Repurchase agreements and securities lending	8,622	2.0	8,528	2.0	94	1.1
Bonds	124,987	28.8	119,752	27.8	5,235	4.4
of which designated at fair value [(*)]	*3,776*	*0.9*	*3,878*	*0.9*	*-102*	*-2.6*
Certificates of deposit	28,762	6.6	30,899	7.2	-2,137	-6.9
Subordinated liabilities	21,940	5.1	20,031	4.6	1,909	9.5
Financial liabilities of the insurance business designated at fair value [(*)]	22,648	5.2	21,241	4.9	1,407	6.6
Other deposits	25,794	5.9	27,887	6.5	-2,093	-7.5
of which designated at fair value [(*)]	-	-	-	-	-	-
Direct customer deposits	**433,980**	**100.0**	**430,897**	**100.0**	**3,083**	**0.7**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

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

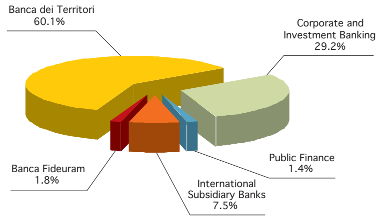
Direct customer deposits amounted to 434 billion euro, up 3 billion euro (+0.7%) on the 2008 year-end figure. The lower propensity for risk of households and the persistent cuts in interest rates encouraged investors to favour investments in high-rated bank securities. The growth was supported by bonds (+4.4%), which contributed over 5 billion euro, and subordinated liabilities (+9.5%). Positive performances were also recorded in financial liabilities in the insurance segment (+6.6%) and repurchase agreements and securities lending (+1.1%). Conversely, other deposits, certificates of deposit and current accounts and deposits fell by 7.5%, 6.9% and 0.7%, respectively.
The aggregate of direct customer deposits is made up of due to customers and securities issued (407,556 million euro) and financial liabilities designated at fair value (26,424 million euro, of which 22,648 million euro belongs to the insurance segment).
At the end of the first nine months of 2009, the Group’s domestic market share (according to the ECB’s harmonised definition) totalled 17.9%.

(in millions of euro)

	30.09.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	222,646	218,225	4,421	2.0
Corporate and Investment Banking	108,416	91,813	16,603	18.1
Public Finance	5,253	5,202	51	1.0
International Subsidiary Banks	27,611	28,212	-601	-2.1
Eurizon Capital	-	-	-	-
Banca Fideuram	6,664	6,583	81	1.2
Total business areas	**370,590**	**350,035**	**20,555**	**5.9**
Corporate Centre	63,390	80,862	-17,472	-21.6
Intesa Sanpaolo Group	**433,980**	**430,897**	**3,083**	**0.7**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation and in business unit constituents.

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which made up 60% of the total aggregate attributable to the business areas, recorded a 2% increase, benefiting from the increase in funding through securities. The Corporate and Investment Banking Division (+18.1%) also benefited from expansion in deposits through securities, driven by the placement of Banca IMI bonds. Public Finance deposits also rose (+1%), driven by the increase in cash balances of current accounts by counterparties as well as Banca Fideuram deposits (+1.2%). Conversely, International Subsidiary Banks deposits fell 2.1%.

Indirect customer deposits

(in millions of euro)

	30.09.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	80,281	13.4	81,975	14.2	-1,694	-2.1
Open-ended pension funds and individual pension plans	3,267	0.6	3,014	0.5	253	8.4
Portfolio management	65,478	10.9	59,254	10.3	6,224	10.5
Life technical reserves and financial liabilities	63,451	10.6	59,785	10.3	3,666	6.1
Relations with institutional customers	10,606	1.8	9,758	1.7	848	8.7
Assets under management	**223,083**	**37.3**	**213,786**	**37.0**	**9,297**	**4.3**
Assets under administration and in custody	**375,154**	**62.7**	**363,358**	**63.0**	**11,796**	**3.2**
Indirect customer deposits	**598,237**	**100.0**	**577,144**	**100.0**	**21,093**	**3.7**

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Indirect customer deposits came to 598 billion euro, up 21 billion euro from 31 December 2008 (+3.7%), thus confirming the positive trend which began in the second quarter of 2009.
Assets under management, accounting for 37% of the aggregate, reached 223 billion euro (+4.3%). Positive contributions came from portfolio management (+10.5%) and insurance policies (+6.1%) which offset the decline of mutual funds (-2.1%). In the insurance segment, new EurizonVita, Intesa Vita, Sud Polo Vita and Centro Vita Assicurazioni business totalled 9 billion euro, up from the same period of 2008.
Assets under administration increased by 3.2% thanks to the expansion of operations with institutional customers which offset the decrease in ordinary customer third party assets under administration, following the abovementioned increase in Group bond subscriptions.

Net interbank position

At the end of the first nine months of 2009, net interbank position is positive (4.3 billion euro) as was in June and at year end 2008 (+4.6 billion euro). The trend of the interbank balance is related to the evolution of relations with customers and the need to maintain a sound liquidity profile.

Financial assets and liabilities

(in millions of euro)

	30.09.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	77,653	61,080	16,573	27.1
of which derivatives at fair value	*41,368*	*42,302*	*-934*	*-2.2*
Financial assets designated at fair value through profit and loss	21,927	19,727	2,200	11.2
Financial assets available for sale	35,803	29,083	6,720	23.1
Investments held to maturity	4,772	5,572	-800	-14.4
Total financial assets	**140,155**	**115,462**	**24,693**	**21.4**
Financial liabilities held for trading	**45,330**	**45,870**	**-540**	**-1.2**
of which derivative contracts at fair value	*43,245*	*44,110*	*-865*	*-2.0*

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and certain bond loan issues designated at fair value, are not represented as these are included in the direct deposits aggregate.
In detail, financial assets held for trading increased from 61 to 78 billion euro, due to Banca IMI's increased investment in government securities and temporary liquidity investments in BOT (Treasury Bonds) by the Parent Company in place of interbank loans.
Half of the financial assets available for sale relate to the Group’s insurance companies. The increase recorded since the beginning of the year is mainly attributable to the companies of the insurance segment and Banca IMI. The increase is largely due to securities acquired as part of the strategy to build a bond portfolio with a medium-/long-term investment, with a view to maximising the bank’s capital soundness in terms of profitability and its proven funding capacity, at the same time limiting income statement volatility from short-term price fluctuations.
During the period, financial assets designated at fair value through profit and loss grew 11.2%, while investments held to maturity fell 14.4%.

The amounts indicated in the table reflect the reclassifications performed in October 2008 as permitted under the IAS 39 amendment. As specified in the 2008 Annual Report, in “Reclassification of financial assets” issued last October, the IASB made changes to IAS 39 in relation to the reclassification of financial instruments, and to IFRS 7 with regard to related disclosures. These amendments were endorsed by the European Commission on 15 October 2008 with immediate effect.
The Intesa Sanpaolo Group identified certain securities - mainly consisting of bonds not quoted on active markets and certain loans originally classified under trading assets or under assets available for sale not subject to impairment risk - which due to present and prospective market conditions could no longer be managed actively and which it deemed preferable to keep in portfolio. These assets have therefore been reclassified to the loans category and are measured at amortised cost from the time of their reclassification. Furthermore, certain structured credit products held by Intesa Sanpaolo and Banca IMI, and some securities in the portfolio of Banca Infrastrutture Innovazione e Sviluppo issued by local authorities or arising from securitisations, were reclassified, also to align the accounting system of the two banks (BIIS and OPI) operating in public finance and merged as of 1 January 2008.
As to the loan portfolio, certain syndicated loans originally intended for placement with other financial institutions were reclassified.
Lastly, in 2009, consistent with the fall-off in trading and the liquidity crisis slowdown, a process was started to transform unfunded structured credit products (derivatives) into funded products (securities), followed by their classification under the loans portfolio.
In accordance with the provisions established by the aforementioned accounting document, reclassifications were carried out for a total of 10,922 million euro in terms of nominal value at 30 September 2009. Of these:

– 8,351 million euro by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
– 2,571 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure largely refers to reclassifications carried out in 2009

concerning, as described in greater detail in the chapter on structured credit products, unfunded trading instruments (derivatives) transformed into funded instruments (securities), and subsequently reclassified to loans.

The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 30 September 2009, with related effects on the income statement and shareholders' equity reserves deriving from the transfer from designation at fair value to measurement at amortised cost.

(in millions of euro)

Type of instrument	Previous classification	New classification	Nominal value	Book value after reclassification	Fair value as at 30.09.2009	Impact on the income statement for 2008 (before tax)	Impact on shareholders' equity reserves as at 31.12.2008 (before tax)	Impact on the income statement as at 30.09 2009 (before tax)	Impact on shareholders' equity reserves as at 30.09.2009 (before tax)
Debt securities	Financial assets held for trading	Loans	4,404	4,140	3,773	432	-	-65	-
Debt securities	Financial assets held for trading	Financial assets available for sale	130	131	131	16	-16	-11	-5
Funds/Stocks	Financial assets held for trading	Financial assets available for sale	111 (*)	104	104	11	-11	-4	-7
Debt securities	Financial assets available for sale	Loans	5,924	5,891	5,350	-	838	-	541
Loans	Financial assets available for sale	Loans	353	353	339	-	51	-	14
Total reclassification			**10,922**	**10,619**	**9,697**	**459**	**862**	**-80**	**543**

(*) Book value as at the date of reclassification

If the Group had not taken up the option to reclassify the abovementioned financial assets, additional negative amounts totalling 459 million euro would have been recognised in the income statement for the last financial year, while additional positive amounts totalling 80 million euro would have been recognised in that for the current year; with regard to valuation reserves under shareholders' equity, partial fair value recoveries decreased the total benefit from the reclassification at the end of the period, with a total decreasing from 862 million euro at 31 December 2008 to 543 million euro at 30 September 2009.
The internal rate of return of the reclassified portfolio was 3.1% (5.4% as at 31 December 2008).
As a result of the abovementioned reclassifications, additional interest income of 25 million euro was recorded as the recovery on an accruals basis of the loss recognised upon reclassification, and net losses of approximately 10 million euro were recorded in relation to repayments, disposals or write-downs that took place after the reclassification.

Shareholders' equity

As at 30 September 2009, the Group's shareholders' equity, including net income for the period, totalled 51,932 million euro compared to 48,954 million euro as at 31 December 2008. The change in shareholders' equity is mainly attributable to the net income for the period and the increase in the valuation reserves. No changes in share capital occurred in the first nine months of the year.

Valuation reserves

As at 30 September 2009, valuation reserves recorded a negative balance of 589 million euro. The change in the period, up 823 million euro from the beginning of the year, is attributable to the rise in the value of financial assets available for sale, in particular debt securities. Conversely, decreases were recorded by other reserves (-149 million euro) and cash flow hedges (-58 million euro), while legally-required revaluations remained unchanged.

(in millions of euro)

	Valuation reserves as at 31.12.2008	Change in the period	Valuation reserves as at 30.09.2009	
				% breakdown
Financial assets available for sale	-1,287	1,030	-257	43.6
Property and equipment	-	-	-	-
Cash flow hedges	-413	-58	-471	80.0
Legally-required revaluations	343	-	343	-58.2
Other	-55	-149	-204	34.6
Valuation reserves	**-1,412**	**823**	**-589**	**100.0**

Regulatory capital

(in millions of euro)

Regulatory capital and capital ratios	30.09.2009	31.12.2008
Regulatory capital		
Tier 1 capital	29,481	27,074
of which: preferred shares	*2,999*	*2,998*
Tier 2 capital	16,034	14,748
Minus items to be deducted	-2,887	-2,774
REGULATORY CAPITAL	**42,628**	**39,048**
Tier 3 subordinated loans	30	30
TOTAL REGULATORY CAPITAL	**42,658**	**39,078**
Risk-weighted assets		
Credit and counterparty risks	319,958	335,556
Market risks	17,741	18,046
Operational risks	29,243	29,080
Other risks	430	390
RISK-WEIGHTED ASSETS	**367,372**	**383,072**
Capital ratios %		
Core Tier 1 ratio	7.2	6.3
Tier 1 ratio	8.0	7.1
Total capital ratio	11.6	10.2

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

As at 30 September 2009, regulatory capital amounted to 42,628 million euro and total capital, including Tier 3 subordinated loans, to 42,658 million euro, against risk-weighted assets of 367,372 million euro, mostly deriving from credit and counterparty risks and, to a lesser extent, from market and operational risks.
Regulatory capital was calculated without assuming any dividend distribution in 2010 since, to date, it seems premature to determine the amount, although a dividend for ordinary shares has been confirmed.
The total capital ratio therefore stood at 11.6%, while the Group’s Tier 1 ratio was 8%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.2%.

Breakdown of consolidated results by business area

The organisational model of the Intesa Sanpaolo Group is based on six Business Units: Banca dei Territori, Corporate and Investment Banking, Public Finance, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition there is the Corporate Centre, which includes the Group Treasury Department, for guidance, coordination and control of the whole Group.
Reporting based on segmentation into business areas was adopted in compliance with the management approach principle, in that it reflects operational responsibilities introduced as part of the Group organisational structure. In addition to responding to an organisational logic, the business areas are an aggregation of business lines similar in the type of products and services they sell and in their regulatory context.
The ***Banca dei Territori Division***, which is in charge of traditional lending and deposit collecting activities in Italy and of the related financial services, has the mission of serving retail customers (households, personal, small businesses), small and medium-sized enterprises and private customers, creating value through widespread coverage of the country, attention to local market needs and maximising the brands of banks and the companies specialised in medium-/long-term credit and consumer credit under the supervision of this Business Unit. Furthermore, the Division includes the insurance companies that provide services for pension plans and coverage for persons and assets.
The ***Corporate and Investment Banking Division***, dedicated to corporate customers and financial institutions in Italy and abroad, has the task of creating value through the distribution of corporate banking products and services for its customers and through investment banking, capital markets, merchant banking, leasing and factoring for the entire Group. The Division is also responsible for proprietary portfolio management.
Public Finance is responsible for customers in government, public entities, local authorities, public utilities, general contractors and public and private healthcare structures and for developing activities related to medium-/long-term lending, project financing, securitisations, financial advisory and purchase of equity stakes in initiatives and investment projects in the reference segments.
The ***International Subsidiary Banks Division*** has the mission of supervising and coordinating activities in markets abroad, where Intesa Sanpaolo is present through subsidiary and partly-owned commercial banks performing retail activities, defining strategies aimed at identifying growth opportunities and managing relations with the centralised structures of the Parent Company and with international branches and representative offices belonging to the Corporate and Investment Banking Division.
Eurizon Capital is the company specialised in providing collective and individual asset management products to the Group's internal banking networks also focused on strengthening its presence in the open market segment through specific distribution agreements with other networks and institutional investors.
Banca Fideuram performs asset-gathering activities through its network of private bankers, serving customers with medium to high savings potential.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2009.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the third quarter; it also illustrates income statement figures, the main balance sheet figures and the most significant profitability ratios.
Allocated capital and, consequently, EVA® (Economic Value Added) were determined following the instructions issued by the Bank of Italy in accordance with the Basel 2 regulatory provisions.

(in millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
30.06.2009	7,848	2,961	334	1,643	190	443	-3	13,416
30.06.2008	8,979	1,946	239	1,668	272	503	576	14,183
% change [(a)]	-12.6	52.2	39.7	-1.5	-30.1	-11.9		-5.4
Operating costs								
30.06.2009	-4,488	-693	-58	-853	-92	-244	-554	-6,982
30.06.2008	-4,739	-698	-61	-884	-111	-247	-497	-7,237
% change [(a)]	-5.3	-0.7	-4.9	-3.5	-17.1	-1.2	11.5	-3.5
Operating margin								
30.06.2009	3,360	2,268	276	790	98	199	-557	6,434
30.06.2008	4,240	1,248	178	784	161	256	79	6,946
% change [(a)]	-20.8	81.7	55.1	0.8	-39.1	-22.3		-7.4
Net income								
30.06.2009	1,038	1,096	111	254	42	67	-346	2,262
31.03.2008	1,491	643	16	504	56	74	997	3,781
% change [(a)]	-30.4	70.5		-49.6	-25.0	-9.5		-40.2
Loans to customers								
30.06.2009	185,389	103,076	41,214	29,578	-	1,868	16,771	377,896
31.12.2008	192,950	112,837	38,829	29,847	-	1,802	18,924	395,189
% change [(b)]	-3.9	-8.7	6.1	-0.9	-	3.7	-11.4	-4.4
Direct customer deposits								
30.06.2009	222,646	108,416	5,253	27,611	-	6,664	63,390	433,980
31.12.2008	218,225	91,813	5,202	28,212	-	6,583	80,862	430,897
% change [(b)]	2.0	18.1	1.0	-2.1	-	1.2	-21.6	0.7

Figures restated where required by international accounting standards considering the changes in the scope of consolidation and in business unit constituents.

[(a)] The change expresses the ratio between 30.09.2009 and 30.09.2008.

[(b)] The change expresses the ratio between 30.09.2009 and 31.12.2008.

BUSINESS AREAS

Banca dei Territori

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes amount	Changes %
Net interest income	4,922	5,673	-751	-13.2
Dividends and profits (losses) on investments carried at equity	105	43	62	
Net fee and commission income	2,379	2,898	-519	-17.9
Profits (Losses) on trading	96	95	1	1.1
Income from insurance business	313	222	91	41.0
Other operating income (expenses)	33	48	-15	-31.3
Operating income	**7,848**	**8,979**	**-1,131**	**-12.6**
Personnel expenses	-2,612	-2,694	-82	-3.0
Other administrative expenses	-1,833	-2,000	-167	-8.4
Adjustments to property, equipment and intangible assets	-43	-45	-2	-4.4
Operating costs	**-4,488**	**-4,739**	**-251**	**-5.3**
Operating margin	**3,360**	**4,240**	**-880**	**-20.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-64	-65	-1	-1.5
Net adjustments to loans	-1,313	-956	357	37.3
Net impairment losses on other assets	-51	-19	32	
Profits (Losses) on investments held to maturity and on other investments	-	-1	-1	
Income (Loss) before tax from continuing operations	**1,932**	**3,199**	**-1,267**	**-39.6**
Taxes on income from continuing operations	-611	-1,038	-427	-41.1
Merger and restructuring-related charges (net of tax)	-94	-351	-257	-73.2
Effect of purchase cost allocation (net of tax)	-199	-303	-104	-34.3
Income (Loss) after tax from discontinued operations	53	25	28	
Minority interests	-43	-41	2	4.9
Net income	**1,038**	**1,491**	**-453**	**-30.4**
Allocated capital	9,931	10,387	-456	-4.4
Profitability ratios (%)				
Cost / Income ratio	57.2	52.8	4.4	8.3
ROE	14.0	19.2	-5.2	-27.1
EVA® (in millions of euro)	679	1,545	-866	-56.1

	30.09.2009	31.12.2008	Changes amount	Changes %
Loans to customers	185,389	192,950	-7,561	-3.9
Direct customer deposits	222,646	218,225	4,421	2.0
of which: due to customers	*137,170*	*140,068*	*-2,898*	*-2.1*
securities issued	*62,828*	*56,916*	*5,912*	*10.4*
financial liabilities designated at fair value through profit and loss	*22,648*	*21,241*	*1,407*	*6.6*

Figures restated where required by international accounting standards considering the changes in the scope of consolidation and in business unit constituents.

During the first nine months of 2009, Banca dei Territori's operating income was 7,848 million euro, representing 58.5% of the Group's consolidated revenue, down (-12.6%) compared to the corresponding period in 2008. There was a fall in net interest income (-13.2%), mainly deriving from the decrease in revenues from customer deposits following the drop in market rates, which was reflected in a lower mark-down. The interest margin was also penalised by the elimination of overdraft charges as part of the initiatives to favour customers. Net fee and commission income (-17.9%) was affected by the negative performance of asset management, due to the outflow from mutual funds and individual portfolio management schemes, and by reduced placement of products with up-front fees. Among other income components, income from insurance business (+41%) and profits on investments carried at equity showed increases. Operating costs were down 5.3%. The operating margin amounted to 3,360 million euro, down on the first nine months of 2008 (-20.8%). Income before tax from continuing operations totalled 1,932 million euro, down 39.6%. This result was mainly due to net adjustments to loans, increasing considerably (+37.3%) due to the gradual deterioration of the economic situation, the effects of which also continued throughout the third quarter of 2009. After allocation of merger and restructuring-related charges to the Division for 94 million euro and the economic effects of purchase price allocation for 199 million euro, net income was 1,038 million euro, down 30.4%.
Income from insurance business performed well during the quarter, nearly doubling in the second quarter and then remaining substantially stable in the third quarter. Adjustments to loans, down significantly on the second quarter, also represented a positive sign.
The Division absorbed 43% of Group capital, higher than the level recorded in the corresponding period of the previous year. In absolute terms, capital decreased, totalling 9,931 million euro, mainly attributable to the retail and corporate segments after containment of assets at risk. As a result of the trend described for allocated capital and net income, annualised ROE fell to 14% from 19.2% recorded for the first nine months of 2008. Value creation came to 679 million euro, down on the same period in 2008.
Balance sheet figures at the end of September 2009 showed loans to customers of 185,389 million euro (-3.9% since the end of December 2008) due to a decrease in short-term loans with stability in medium-/long-term loans. Direct customer deposits, on the other hand, totalled 222,646 million euro, increasing (+2%) since 31 December 2008, benefiting from the growth in funding through securities.

During the third quarter of 2009, the Retail Marketing Department continued to focus on improving quality of service and constant attention to customer needs.
In investment services, particular attention was placed on acquiring new financial assets and retaining customers by issuing two seven-year bonds: "Crescita Mercati Azionari", a bond linked to a basket of five geographical equity indices, which allows investors to benefit from bull markets in the event of economic recovery, but also guarantees that capital will be returned at maturity, in case of negative performance of the markets, and "Tasso Variabile con Tasso Minimo e Massimo 2016", a floating-rate bond that guarantees that capital will be returned at maturity, as well as a floating-rate return linked to the performance of money-market rates.
In the field of credit and debit cards, a service allowing users to have their salaries transferred to Flash and SuperFlash prepaid cards has been launched. The new payments-on-prepaid-cards service allows companies and entities to pay sums they owe (salaries, reimbursement of expenses, fees for occasional professional services, indemnities, scholarships) to employees and other staff, including those who do not have current accounts, without using traditional channels (cash, cheques, bank transfers).
In the loans segment, a new advertising campaign, Mortgage Check-up, was launched with the aim of strengthening the Domus Mortgages brand by offering fixed-rate products (Fixed, 100% Fixed and Fixed for Young People).
One particularly noteworthy event in the third quarter was Intesa Sanpaolo's signing of the agreement reached by the Italian government, Italian Banking Association, and trade associations on 3 August governing a moratorium on the debt of small and medium enterprises entitled "Understanding concerning the suspension of debt owed by SMEs to the financial system." The agreement, which affects both Small Business and Corporate customers, calls for: the deferral by 12 months of the payment of the principal component of instalments of medium-/long-term loans through the shifting and extension of the repayment plan by one year; the deferral of payment of the principal component of financial leases by 12 months (real property) or 6 months (movable property); the extension to 270 days of short-term advances on certain and collectible receivables; and measures aimed at reinforcing the balance sheets of SMEs, involving in particular loans equal to a multiple of the share capital increase paid in by shareholders.
In confirming its commitment to grow together with enterprises, the Bank has also continued to negotiate agreements with trade associations at national and local level and to take steps to remodel and develop activities undertaken in collaboration with Confidi. In detail, under the agreement with Confindustria,

which promotes a series of measures aimed at maintaining the flow of credit to the production system through corporate liquidity and capitalisation initiatives, Intesa Sanpaolo provides small and medium Italian enterprises with lines of credit of up to 5 billion euro. In addition, under its agreement with the association Confcommercio, the Bank has made up to 3 billion euro available to member companies. The goal of this initiative is to support small enterprises that operate in the commerce, tourism and service sectors by ensuring that they have the liquidity they need to meet their cash flow needs and access to flexible financing, and by fostering the creation of programmes aimed at strengthening balance sheets and new projects. The agreement with the associations Confartigianato, Cna and Casartigiani calls for the Group to make up to 3 billion euro available to Italian tradesmen and craft enterprises. This agreement, signed by the main crafts associations, aims to support small enterprises by ensuring them continuity in access to credit and furnishing the liquidity required to move beyond the present crisis and to reinforce previously launched initiatives by emphasising the role played by the applicable Confidi.
In this regard, memoranda of understanding were signed in the third quarter with Fedart Fidi, an association that represents the credit guarantee system for the crafts industry at the national level, and Federascomfidi, Confcommercio's national trade association, which brings together credit guarantee consortia and collective credit guarantee cooperatives, through which small and medium enterprises operating in the commerce and crafts sectors have been provided with facilities of a maximum total of 750 million euro.
In the area of commercial arrangements, agreements have been reached with Enel.si, a leading manufacturer of renewable resource power generation facilities owned by Enel Green Power, which will allow households and companies to obtain loans for the purchase and installation of photovoltaic systems at special rates, and with Schüco, a global leader in the photovoltaic sector, to offer financial instruments suited to the customer's needs and proportionate to the size of the facility to be constructed.
In September, an agreement was signed by Intesa Sanpaolo, Banca CR Firenze and Pitti Immagine with the aim of facilitating access to credit by companies that take part in the trade fairs and conventions organised by Pitti Immagine. Companies may obtain access to loans of a maximum duration of 12 months at special rates for amounts from 5,000 to 250,000 euro to cover the costs of renting exposition space or expenses relating to event promotions.

The process of consolidating the Group's private-banking networks into Intesa Sanpaolo Private Banking continued in the third quarter of the year. In detail, the private-banking branches of CR Romagna were contributed to Intesa Sanpaolo Private Banking in September. Marketing activities in the quarter included the significant placement of bonds issued by the Group and third parties. In addition, Banca IMI certificates were offered with different types of underlying asset class and with capital secured or protected on maturity. The "scudo fiscale" (tax shield) project, aimed at defining the products and services offered to customers and the operating structure to support the repatriation of capital from abroad, was also completed during the period. In September, the network and customers began an awareness campaign concerning the opportunities afforded by the new legislation. The offer will include tax consulting, fiduciary services and consulting services for the investment of repatriated liquidity.

Banks of the Banca CR Firenze group, including Casse del Centro, are not divisionalised but are represented in their legal nature within the scope of Banca dei Territori.
The migration of the processes, products and procedures of banks of the former Banca CR Firenze Group (Banca CR Firenze, CR Pistoia, CR La Spezia and CR Civitavecchia) was completed in mid-July. Casse del Centro also focused on the process of integrating its information technology systems, which will be completed in the fourth quarter of 2009 with migration to the target platform.
In the first nine months of 2009, the results of the Banca CR Firenze group, including those of Casse del Centro after the acquisition of control at the end of December 2008, had income before tax from continuing operations of 168 million euro, down 54.6% on the same period last year due to the weak performance of revenues, particularly net interest income, which was penalised by the decline in mark-down, as well as the significant increase in net adjustments to loans, related to the negative economic situation.

During the first three quarters of 2009, Mediocredito Italiano disbursed 1,725 million euro in financing, up 10.4% compared to the same period in 2008. In terms of distribution channels, 98% of the total amount was disbursed through the Intesa Sanpaolo networks. In the third quarter, two new funding agreements were entered into with the EIB – European Investment Bank: SMEs & I2I for up to 300 million euro, to be divided between Mediocredito Italiano and Leasint, and a Risk Sharing Facility for up to 50 million euro. The first draw-downs of the SMEs & I2I facility were made in October. Mediocredito Italiano's operating margin was 186 million euro during the first nine months of 2009, of which 57 million euro in dividends received from Leasint. Net of this contribution, the operating margin increased of 17% compared to the same period of last year, due to higher operating income attributable mainly to the interest margin.

Consumer credit activities are carried out through Moneta (formerly CFS). A total of 1,340 million euro was disbursed in the first nine months of the year, down 2% on the same period in 2008. The Credit Cards and Assignment of One-Fifth of Pension/Salary segments reported an increase in volumes (26.8% and 9.3%, respectively), whereas Personal Loans were down 5.2%. Moneta's operating margin amounted to 96 million euro in the first nine months of 2009, of which approximately 54 million euro in dividends received from Setefi; net of this component, which was not present in 2008, the operating margin amounted to 42 million euro, compared to 20 million euro for the same period of the previous year.
Setefi, which specialises in managing electronic payment systems and is wholly owned by Moneta, recorded a 48.8% increase in the operating margin net of non-recurring components, linked to the increase in operations in terms of credit cards issued, transaction volumes and POS installed.

In the third quarter of 2009, Banca Prossima, which serves non-profit organisations through 52 local branches and approximately 100 specialists throughout the country, continued to acquire new customers for the Group. As at 30 September 2009, customer financial assets amounted to 485 million euro, of which 310 million euro in direct deposits.

Banca dei Territori also includes the Group's insurance/pension companies.
At the end of the first half of the year, a project was approved to rationalise the Group's bancassurance activities, based on specialisation by distribution network. This project will lead to the creation of a single company to serve the Group's banking networks and a life insurance company to serve Banca Fideuram's financial advisors. Following the unwinding of the joint ventures with Generali and Cardif, Intesa Sanpaolo will have full control of the four current insurance companies (Intesa Vita, EurizonVita, Centrovita Assicurazioni and Sud Polo Vita).
In the first nine months of 2009, EurizonVita recorded income before tax from continuing operations of 108 million euro, down compared to the same period of the previous year, due to higher adjustments to financial assets available for sale, which were more than enough to offset the strong performance of financial management of traditional products and capital. The investment portfolio amounted to 38,710 million euro, while the insurance policies portfolio amounted to 37,242 million euro, including 21,075 million euro from financial unit- and index-linked policies. In the first nine months of the year, EurizonVita recorded gross life and non-life premiums underwritten (for both insurance products and policies with investment content) of 4,368 million, up 17.7% on the same period in the previous year. New life business amounted to 3,871 million euro in premiums underwritten (+25.4% on the same period in 2008).
Sud Polo Vita reported income before tax from continuing operations of 21 million euro, nearly four times the figure for the first nine months of 2008, driven by the sharp improvement in income from insurance business, which was more than sufficient to offset the higher adjustments to other assets.
Centrovita Assicurazioni recorded 39 million euro in income before tax from continuing operations, showing significant growth compared to the same period in 2008, due to the strong performance of the insurance business combined with a slight reduction in operating costs.
Intesa Vita (consolidated by the equity method) contributed 43 million euro to the consolidated income statement, showing significant growth as a result of greater financial revenues linked to the increase in new business.
Intesa Previdenza had assets under management for 1,746 million euro at the end of September 2009, an increase of 1.7% since the beginning of the year, despite the elimination of the closed pension fund of Cariparma and FriulAdria, and of 5.8% as compared to the end of June. Overall, in the first nine months of the year net inflows were positive owing to the contribution of open-ended funds. Asset management operations continued to develop in the third quarter, which witnessed the acquisition of an asset management contract with the open-ended pension fund CRF Previdenza.

Corporate and Investment Banking

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes amount	Changes %
Net interest income	1,607	1,150	457	39.7
Dividends and profits (losses) on investments carried at equity	4	9	-5	-55.6
Net fee and commission income	794	672	122	18.2
Profits (Losses) on trading	513	63	450	
Income from insurance business	-	-	-	-
Other operating income (expenses)	43	52	-9	-17.3
Operating income	**2,961**	**1,946**	**1,015**	**52.2**
Personnel expenses	-278	-267	11	4.1
Other administrative expenses	-409	-422	-13	-3.1
Adjustments to property, equipment and intangible assets	-6	-9	-3	-33.3
Operating costs	**-693**	**-698**	**-5**	**-0.7**
Operating margin	**2,268**	**1,248**	**1,020**	**81.7**
Goodwill impairment	-1	-2	-1	-50.0
Net provisions for risks and charges	-5	-3	2	66.7
Net adjustments to loans	-712	-283	429	
Net impairment losses on other assets	-14	-22	-8	-36.4
Profits (Losses) on investments held to maturity and on other investments	-	7	-7	
Income (Loss) before tax from continuing operations	**1,536**	**945**	**591**	**62.5**
Taxes on income from continuing operations	-433	-284	149	52.5
Merger and restructuring-related charges (net of tax)	-7	-27	-20	-74.1
Effect of purchase cost allocation (net of tax)	-	9	-9	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**1,096**	**643**	**453**	**70.5**
Allocated capital	8,302	8,570	-268	-3.1
Profitability ratios (%)				
Cost / Income ratio	23.4	35.9	-12.5	-34.8
ROE	17.7	10.0	7.6	76.1
EVA® (in millions of euro)	487	74	413	

	30.09.2009	31.12.2008	Changes amount	Changes %
Loans to customers	103,076	112,837	-9,761	-8.7
Direct customer deposits	108,416	91,813	16,603	18.1
of which: due to customers	*41,414*	*37,787*	*3,627*	*9.6*
securities issued	*63,226*	*50,148*	*13,078*	*26.1*
financial liabilities designated at fair value through profit and loss	*3,776*	*3,878*	*-102*	*-2.6*

Figures restated where required by international accounting standards considering the changes in the scope of consolidation and in business unit constituents.

In the first nine months of 2009, the Corporate and Investment Banking Division completed the reorganisation of its customer service models initiated in 2008 with the aim of improving its service on increasingly complex and competitive markets. In this regard, the transfer of the Structured Finance operations undertaken by Intesa Sanpaolo in Italy and the United Kingdom to Banca IMI through the contribution of a business unit entered into force in September. This transaction further strengthens the creation of a capital markets and investment banking hub and consolidates the Group's leading position in Italy.

In the first nine months of 2009, the Division recorded operating income of 2,961 million euro (representing 22% of the consolidated total for the Group), up 52.2% on the same period in 2008.
Net interest income reached 1,607 million euro, demonstrating significant growth (+39.7%) in a difficult market characterised by high-level competition on the reference markets. The positive performance was particularly driven by the increase in average loan volumes (+4.9%), added to which was an increased mark-up, mainly due to the effects of repricing policies on loans in relation to higher risk generated since the end of 2008. Net fee and commission income totalling 794 million euro increased by 18.2%, mainly attributable to the investment banking segment and, in particular, to the primary market (equity and debt capital market) and to M&A advisory activities. Profits on trading amounted to 513 million euro, up 450 million euro on the first nine months of 2008 due to effective management of the proprietary portfolio and operations in the fixed-income and capital markets credit segments, which succeeded in exploiting market opportunities, despite the highly volatile market. Operating costs amounted to 693 million euro, down slightly (-0.7%) compared to the corresponding period in 2008. As a result of this trend in revenues and costs, the operating margin came to 2,268 million euro, up 81.7%. Net adjustments to loans exceeded the corresponding figure for the first nine months of 2008 (+429 million euro) due to the deterioration of loan positions strictly related to systemic trends. Income before tax from continuing operations amounted to 1,536 million euro, up 62.5% compared to the first nine months of 2008. Net income performed similarly, amounting to 1,096 million euro, up 70.5%.
At the quarterly level, the third quarter saw stable operating income owing to the increase in the interest margin and net fee and commission income. Due to the substantial stability of costs and a decline in adjustments to loans, income before tax from continuing operations and net income showed significant growth.
The Division absorbed 36% of Group capital, an increase on the level recorded during the first nine months of 2008. In absolute terms, capital decreased slightly, mainly as a result of a reduction in credit risk due to better rebalancing of the loan portfolio and reduction of the cash loans and endorsement loans of international corporate counterparties; the component related to market risks, on the other hand, remained stable. The sector performance is reflected in the increase of annualised ROE from 10% to 17.7%. EVA® reached 487 million euro, up significantly on the same period last year.
The cost/income ratio was 23.4%, compared to 35.9% in the first nine months of 2008, an improvement of over 12.5 percentage points.
The Division’s intermediated volumes were up on the opening figure for the year (+3.3%). This development should be viewed in relation to a significant increase in funding (+18.1%), which especially benefited from the increase in securities transactions, particularly as a result of the placement of Banca IMI bonds. Loans to customers were down from the beginning of the year (-8.7%), due to a decline attributable to disbursements to large and mid-corporate customers, as well as to a reduction in Banca IMI’s reverse repurchase agreements with institutions and financial intermediaries.

In Corporate Relationship Management, the third quarter of 2009 saw a slight shift in the composition of the portfolio, marking a clear trend towards long-term investments. The increase in loans to customers with the highest ratings slowed, due in part to the deterioration of the risk profile of counterparties. Initiatives aimed at monitoring counterparties with the highest credit risk through a risk-based pricing model continued. The balanced loan development policy allowed for a considerable increase in share of wallet, with particularly strong performances in the Large Foreign Multinationals segment. The current economic situation has influenced Structured Finance and Investment Banking transactions: 45 transactions were concluded during the first nine months of 2009, and 17 in the third quarter, mainly involving debt restructuring and consolidation. On the topic of the service model, large units were linked to back-office hubs and the roll-out of the first five hubs was completed in September in order to foster greater focus on dedicated marketing and lending operations by large-corporate managers. In addition, with a view towards greater coordination of operating methods in the large-corporate segment and identification of a shared marketing approach, a position charged with coordinating all Local Relationship Managers (LRMs) throughout Italy has been created.
The Global Services Department directly covers 34 countries through 16 wholesale branches, 21 representative offices, 3 subsidiary banks and one advisory firm. In the third quarter of 2009, international coverage was pursued by fostering the internationalisation of Italian companies and

developing relationships with the main multinationals with the support of the Group's foreign network. In order to further improve this coverage and expand cross-selling, the Group has implemented a model for managing international network customers that is homogeneous throughout the Group's entire international network and is currently defining a growth strategy for international customers that leverages the current network and the expanded offerings for all customers. In addition, a pilot project has been launched with Intesa Sanpaolo Bank Romania and a plan to extend the client-driven relationship model to other banks of the International Subsidiary Banks Division is being studied. Furthermore, the SEPA, PSD, ISPay.Hub and Financial Value Chain have been initiated as part of the Payment Systems Assessment Programme, which will have a strong impact on corporate customers by allowing the development of the line of cash-management and trade-finance products and services on a horizontal basis with close integration at the inter-Division and international levels.
The Department is responsible for:
– Société Européenne de Banque, which recorded a net income of 58 million euro during the first nine months of 2009, down 3.9% due to higher net adjustments to loans;
– Intesa Sanpaolo Bank Ireland, which ended the first nine months with a net income of 60 million euro, compared to a loss of 4 million euro in the same period of 2008, due to the increase in operating income (+45%), driven by net interest and lesser adjustments to loans;
– Zao Banca Intesa, which recorded a net income of 13 million euro, compared to 3 million euro for the same period of 2008, due to increased revenues generated mainly by positive development of profits on trading.

In the third quarter of 2009, the Financial Institutions Department continued to monitor new lending opportunities, extend most transactions that reached maturity, and implement a plan to purchase bonds in order to invest liquidity at attractive spreads and further promote the cross-selling of investment-banking products. During the third quarter, the Bank acted as mandated lead arranger in several transactions on behalf of Eastern European banks and also took part in syndication on behalf of the leading European clearing and settlement firm. With regard to international payments, the consolidation process for existing customers and the acquisition of new customers continued. Correspondent bank activities continued their robust recovery in the quarter: intermediated volumes increased to nearly 35 billion euro by the end of September, marking an increase on the 2008 average. In custodian banking operations, real-estate and private-equity funds expanded the product line and pension funds continued to grow, while the downturn in speculative funds nearly came to a halt. Custody service volumes remained at positive levels owing to the acquisition of new market flows from foreign operators and increased transactions involving Italian government securities.

Turning to the Structured Finance Department, in the leverage and acquisition finance segment, the third quarter of 2009 witnessed the execution of the credit facility mandate for the acquisition of Permasteelisa S.p.A. involving the conduct of a tender offer by the private-equity funds Investindustrial and Alfa Capital Partners. In the project and industry specialised lending segment, the Department participated in funding the construction of two CCGT plants located in Lodi and Aprilia, a loan to develop and maintain a digital telecommunications platform in France and, lastly, a loan to purchase the Algyo field in Hungary and build a storage facility for natural gas reserves. In the real-estate sector, loans were provided to Sitas, the Alpha Fund to rebalance its sources of funding, and the Core Nord Ovest Fund to support its acquisition of a real-estate portfolio owned by Unicredit Real Estate. In securitisation activities, the Bank acted as joint arranger and lead manager for the fourth transaction by Adriano Finance Srl in order to obtain assets eligible for allocation to open-market transactions with the ECB and as sole arranger and sole lead manager to the first Italian public-sector covered-bond program, in which Intesa Sanpaolo served as issuer and BIIS as originator. Lastly, the Bank served as sole hedging counterparty in the securitisation of residential and commercial mortgages for Banco Popolare. The ABCP (Asset Backed Commercial Paper) market, on which the Bank operates through Romulus Funding, continued to stabilise. Mandates to serve as agent bank for loans to ASM Brescia, Enel Rete Gas, Sorgenia 2, Farma Factoring, Buongiorno, Fondo Eta, Sitas, Ream SGR, Alta Cerro, Opera Immacolata, and Milano Farmaceutici were also acquired in the third quarter of 2009. Lastly, the Bank acted as mandated lead arranger in the syndication of loans to Sorgenia, Enel Rete Gas, Auchan and Schneider Electric.

In its M&A and advisory activity in the energy and utilities sector, Banca IMI assisted ENI with the complete sale of Italgas Più and Stoccaggi Gas Italia to Snam Rete Gas and Enel with the acquisition of a further stake in Endesa SA, bringing Enel's holding of the Spanish company to over 92%. The Bank also continued to provide financial advisory services to Iride for the merger with Enìa and to Enel over the sale of 80% of

Enel Rete Gas to AXA Private Equity and F2i. In the Financial Institutions segment, the Bank completed the sale of 75.9% of Sì Holding (CartaSì) to Istituto Centrale delle Banche Popolari and assisted Cassa di Risparmio di Orvieto with the sale of its majority stake (73.57%) to Banca Popolare di Bari. Lastly, Banca IMI assisted the Parent Company with the sale of 13 Intesa Sanpaolo branches located in La Spezia to Unione Banche Italiane and four branches located in Pistoia to Banca Popolare di Bari. In the equity capital markets segment, Banca IMI served as joint lead manager for the share capital increase by Aedes. Internationally, it participated in the share capital increase by National Bank of Greece and acted as joint lead manager for the share capital increase undertaken by BNP Paribas. During the quarter, it confirmed its positioning in the tender offer and delisting segment, in which the Bank organised the public tender offer for Mirato stock. In addition, it served as specialist and corporate broker to 34 companies listed on the Italian market, confirming its leadership of the segment and focus on the mid-cap sector. In debt capital markets operations, the Bank organised new debt issues for RCI Banque, KBC Bank, and Nova Ljubljanska Banka and acted as bookrunner for bonds issued by Banco Popolare, Veneto Banca and Intesa Sanpaolo. Also in the Euromarket, the Bank acted as bookrunner for the issue of subordinated ten-year lower-tier 2 notes by Intesa Sanpaolo to the total nominal amount of 1.5 billion euro. The following networks external to the Group were also involved in the organisation of bond issues: Banca Generali, Banco Popolare, Banca Popolare di Milano, Poste Italiane and Rabobank. Lastly, the Bank was joint-lead manager and bookrunner for Fiat, GE European, Edison and Wind.

In capital markets operations, a tightening of spreads continued in the third quarter on all asset classes throughout the debt market, including ABS, financials, corporates, emerging-market securities and debt indices. The improvement in capital markets and more reassuring forecasts for the performances of the world's main economies allowed retail and institutional investors to undertake significant investments in the debt market. In addition, the decrease in interbank rates both in the euro and dollar areas led investors to privilege debt and equity asset classes and, to a lesser extent, real estate. The most significant initiatives included the focus on covered bonds and the launch of market-making operations on the electronic platform B2B MarketAxess, which will allow Banca IMI to access a highly diversified range of international institutional customers. In the equity market, the decrease in the implied volatility of all underlying assets allowed the Bank to benefit from the positive performance of market-making for convertible securities and to become increasingly active in its pricing of plain vanilla derivatives for institutional customers, whereas retail flows in the securitised derivatives category remained more moderate. The ETF market witnessed growing interest in emerging nations (BRIC), while volumes on European and American underlying assets remained stable. In the third quarter, retail customers confirmed their interest in simplifying bond types and preference for short-term (two years) structures linked to interest-rate trends. In the corporate segment, there was renewed interest in hedging transactions, and over 50% of transactions passed through the automatic IDEA channel. Lastly, exchange-rate operations declined gradually, owing to the physiological decrease in needs related to imports and exports as a consequence of the general economic slowdown and moderate fluctuations in the euro/dollar exchange rate.

The initiatives completed by the Merchant Banking Department in the third quarter of 2009 include the acquisition of a stake in Pirelli & C. Real Estate SGR through the initial subscription of an investment of 10 million euro, equal to 5%, and the commitment to increase the interest to 10%, as well as the subscription for a share capital increase by B.E.E. Team S.p.A. with a total investment of 6.9 million euro, bringing the Company's total share to 23.7%. In July, Sanpaolo IMI Fondi Chiusi SGR resolved to launch a new closed-ended private-equity fund calling for a total investment commitment of 300 million euro, with the possibility of closing the initial subscription phase once a minimum commitment of 150 million euro has been reached. The investment activity of the mutual and private-equity funds presently managed by the Group's asset management companies continued, involving the recapitalisation of several companies included in the respective portfolios. As at 30 September 2009 the portfolio held directly by the Department and through its subsidiaries amounted to 2.6 billion euro, of which 2.4 billion euro was invested directly in companies and 0.2 billion euro in closed-ended private-equity funds.

The Corporate and Investment Banking Division is also responsible for the operations of Mediofactoring, which as at 30 September 2009 recorded a turnover of 19.1 billion euro, up 3.6% year-on-year. Both receivables and loans have decreased since the beginning of the year: receivables came to 6.9 billion euro, down 11.5%, and loans declined 14.3%. Operating income, at 120 million euro, rose by 20.1% due to the increase in net interest income (+24.8%), which benefited from the growth in average loans (+20.6%). Income before tax from continuing operations amounted to 56 million euro, down compared to the corresponding period in 2008 due to higher net adjustments to loans. At 35 million euro, net income recorded a decrease of 11.8%.

Lastly, included among the Division's activities is Leasint, the second most important operator in the domestic leasing market with a market share of 10.6%. During the first nine months of 2009, Leasint entered into approximately 7,300 new contracts for a total value of 2,085 million euro, down over 50% compared to the same period in 2008. With regard to portfolio composition, 41.8% of the contracts signed referred to securities, 51% to property and 7.2% to vehicle leases. Net income, penalised by the negative market context, amounted to 26 million euro, down 60.4% compared to the first nine months of 2008, due to lower revenues (-6.6%) and higher net adjustments to loans (+43 million euro).

Public Finance

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes	
			amount	%
Net interest income	308	221	87	39.4
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	31	35	-4	-11.4
Profits (Losses) on trading	-7	-17	-10	-58.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	-	2	-
Operating income	**334**	**239**	**95**	**39.7**
Personnel expenses	-26	-25	1	4.0
Other administrative expenses	-32	-36	-4	-11.1
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-58**	**-61**	**-3**	**-4.9**
Operating margin	**276**	**178**	**98**	**55.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	2	1	1	
Net adjustments to loans	-80	-126	-46	-36.5
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**198**	**53**	**145**	
Taxes on income from continuing operations	-84	-32	52	
Merger and restructuring-related charges (net of tax)	-	-2	-2	
Effect of purchase cost allocation (net of tax)	-3	-3	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**111**	**16**	**95**	
Allocated capital	984	866	118	13.6
Profitability ratios (%)				
Cost / Income ratio	17.4	25.5	-8.1	-31.8
ROE	15.1	2.5	12.6	
EVA® (in millions of euro)	40	-48	88	

	30.09.2009	31.12.2008	Changes	
			amount	%
Loans to customers	41,214	38,829	2,385	6.1
Direct customer deposits	5,253	5,202	51	1.0
of which: due to customers	*3,463*	*3,298*	*165*	*5.0*
securities issued	*1,790*	*1,904*	*-114*	*-6.0*

Figures restated where required by international accounting standards and considering the changes in business unit constituents.

The results for the first nine months of 2009 recorded a significant increase in revenues and net income in Public Finance, despite the difficult market situation. Operating income amounted to 334 million euro, up 39.7% compared to the first nine months of 2008. Specifically, net interest amounted to 308 million euro, showing significant growth (+39.4%) also with respect to new loan disbursements (which came to approximately 3 billion euro during the first nine months of 2009), larger spreads, resulting from the rapid

decrease in market rates in 2009 and enhancement of the liquidity of the asset portfolio, and the substantial stability of average loans to customers (+0.7% including bonds subscribed by public entities). Net fee and commission income, amounting to 31 million euro, mainly derived from structuring performed on behalf of customers and was 11.4% lower than the figure for the first nine months of 2008. Losses on trading, however, were lower compared to the first nine months of the previous year.
Operating costs amounted to 58 million euro, down 4.9% as a result of a decrease in administrative expenses, also in relation to merger synergies. The cost/income ratio was 17.4% (down by over 8 percentage points on the first nine months of 2008). As a result of the above trends, operating margin was 276 million euro, up 55.1% on the same period of 2008. After lesser adjustments to loans amounting to 80 million euro, compared to 126 million euro in the first nine months of 2008, income before tax from continuing operations stood at 198 million euro, up from 53 million euro in the first nine months of 2008. Net income amounted to 111 million euro, compared to 16 million euro for the same period in 2008.
On a quarterly basis, net income came to 43 million euro in the third quarter, triple the figure for the second quarter, benefiting from the sharp decrease in adjustments to loans following on the peak in the second quarter owing entirely to a single counterparty. However, operating income fell, primarily due to the interest margin, which was affected by market rate trends that resulted in a gradual decrease in the spread between loans and deposits.
Capital allocated amounted to 984 million euro, up from the first nine months of 2008, due to the increase in credit risk associated with the increase in loans. Annualised ROE, which benefited from the increase in profits, rose sharply from 2.5% to 15.1%. EVA® reached 40 million euro, up significantly on the corresponding period of the previous year.

With regard to the main balance sheet figures, loans to customers, totalling 41,214 million euro, were up 6.1% on the start of the year, due to the effect of new business developed during the period and to the reclassification of certain debt securities from available for sale to loans and receivables, against the backdrop of continuing partial stagnation of infrastructure projects and a higher degree of caution adopted abroad. Direct customer deposits, amounting to 5,253 million euro, an increase of 1%, due to the higher cash balances of customer current accounts, counteracted by a decline in securities issued.

In the third quarter of 2009, in order to support and promote the development of large-scale infrastructure projects in Italy, activity on large motorway projects continued, including advisory services for the BreBeMi project (Brescia-Bergamo-Milan motorway), for which works were launched in July, the Milan East outer ring-road, and the Cremona-Mantua motorway.
Public Finance continued to provide support to health services, universities and scientific research organisations by moving forward with the projects launched in the first six months of the year, such as the loan granted to Pavia’s National Centre of Oncological Hadrontherapy (CNAO - Centro Nazionale di Adroterapia Oncologica), mortgages for the refurbishment of Modena General Hospital, project financing for the construction and management of a home for senior citizens in the municipality of Novara, the loan to the Siena University Hospital for renovations, loan mandates for the renovation and completion of hospital units and healthcare districts in Sardinia, and, lastly, the loans to the University of Milan for the construction of the Lodi veterinary hospital.
In the area of the improvement of public services and utilities, the Bank was awarded a mandate to organise a loan to the integrated water service of the Novara environmental agency, which was granted a bridge loan from a syndicate formed with other banks pending the finalisation of the transaction. In relation to alternative low environmental impact energies, the Division provided a loan to Pontenure Solar to allow the construction of an integrated photovoltaic plant in the district of the province of Piacenza which bears the same name, as well as a loan to Cassiopea PV Srl for the construction of a solar farm in Montalto di Castro, which is scheduled for completion by the end of this year. The project, which currently represents the largest photovoltaic installation built in Italy and one of the largest in Europe, was financed by a pool of institutions under the project-financing formula.
In the area of urban and local development projects, a loan was issued to Fondazione Fiera Milano in a pool with another institution. The loan is intended to finance the construction of the new Milan Convention Centre, an innovative architectural project that is part of a broader plan to upgrade and develop infrastructure in north-western Milan. The Bank is also involved in a project to renovate the facilities of Fiera di Forlì in accordance with the principles of the green economy through funding for a photovoltaic plant capable of providing 75% of the Exhibition Centre’s power needs. The project has been funded entirely through a financial lease of public property, an innovative technique in this field that services debt using the proceeds of the contributions provided by GSE (a government-owned promoter of alternative energy projects) against the power generated by the plant. In the area of improvements to

transport infrastructure in Sicily, the Bank has provided financing to Empedocle scpa, the general contractor awarded the contract to design and construct the modifications to state road 640 in Porto Empedocle.
In the area of international public and infrastructure financing, the Bank has entered into an agreement under which it will serve as mandated lead arranger to organise a loan to DARS, the entity that holds the concession for the Slovenian motorway network, and has continued to provide funding for road and motorway projects in various European countries.

International Subsidiary Banks

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes amount	Changes %
Net interest income	1,063	1,070	-7	-0.7
Dividends and profits (losses) on investments carried at equity	2	2	-	-
Net fee and commission income	388	448	-60	-13.4
Profits (Losses) on trading	209	158	51	32.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-19	-10	9	90.0
Operating income	**1,643**	**1,668**	**-25**	**-1.5**
Personnel expenses	-436	-455	-19	-4.2
Other administrative expenses	-312	-324	-12	-3.7
Adjustments to property, equipment and intangible assets	-105	-105	-	-
Operating costs	**-853**	**-884**	**-31**	**-3.5**
Operating margin	**790**	**784**	**6**	**0.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	7	-5	12	
Net adjustments to loans	-469	-147	322	
Net impairment losses on other assets	-1	-4	-3	-75.0
Profits (Losses) on investments held to maturity and on other investments	-	4	-4	
Income (Loss) before tax from continuing operations	**327**	**632**	**-305**	**-48.3**
Taxes on income from continuing operations	-73	-123	-50	-40.7
Merger and restructuring-related charges (net of tax)	-	-5	-5	
Effect of purchase cost allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**254**	**504**	**-250**	**-49.6**
Allocated capital	1,929	2,029	-100	-4.9
Profitability ratios (%)				
Cost / Income ratio	51.9	53.0	-1.1	-2.1
ROE	17.6	33.2	-15.6	-46.9
EVA® (in millions of euro)	57	271	-214	-79.0

	30.09.2009	31.12.2008	Changes amount	Changes %
Loans to customers	29,578	29,847	-269	-0.9
Direct customer deposits	27,611	28,212	-601	-2.1
of which: due to customers	*25,761*	*26,285*	*-524*	*-2.0*
securities issued	*1,850*	*1,927*	*-77*	*-4.0*

Figures restated where required by international accounting standards considering the changes in the scope of consolidation and in business unit constituents.

The International Subsidiary Banks Division is responsible for the Group’s activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking. With effect from 1 January 2009, three new subsidiaries were acquired: Centurion, a credit card company, acquired by Banka Koper and PBZ, Finor Leasing by Banka Koper and Intesa Leasing Beograd by Banca Intesa Beograd.
The distribution network provides direct coverage of 13 countries and consists of 1,844 branches.

In the first nine months of 2009, the Division recorded a 1.5% decrease in operating income compared to the same period in 2008, down to 1,643 million euro. However, this result was penalised by the depreciation of local currencies. Excluding this effect, revenues grew by 5.7%.
In detail, net interest income was 1,063 million euro, down slightly from 1,070 million euro in the same period of the previous year. The decrease is primarily attributable to the exchange-rate effect. If this effect is excluded, net interest income increased by 5.9%. Average volumes were up (+3.6%), driven by the rise in loans to customers (+13.4%), while direct customer deposits decreased (-2.4%). The decrease in the interest margin is attributable to KMB Bank (33 million euro), Privredna Banka Zagreb (18 million euro), and CIB Bank (16 million euro), partially offset by the positive results posted by VUB Banka (+34 million euro) and Bank of Alexandria (+37 million euro).
Net fee and commission income fell by 13.4% (388 million euro against 448 million euro), attributable in particular to CIB Bank (-17 million euro), Pravex Bank (-15 million euro), and Privredna Banka Zagreb (-9 million euro).
Profits on trading amounted to 209 million euro, up on the first nine months of 2008 (+32.3%), primarily due to the positive contributions of Bank of Alexandria (+34 million euro), Privredna Banka Zagreb (+19 million euro) and CIB Bank (+12 million euro).
Operating costs were 853 million euro, down by 3.5% on the same period in 2008. As a consequence of the trends described above, the operating margin amounted to 790 million euro, slightly up compared to same period in 2008 (+0.8%; +7.4% excluding the exchange-rate effect). Income before tax from continuing operations of 327 million euro was down 48.3%, due to higher net adjustments to loans, increasing from 147 million euro to 469 million euro. The Division closed the first nine months of 2009 with a net income of 254 million euro (-49.6% compared to the same period in 2008).
On a quarterly basis, revenues were slightly lower than in the second quarter, mainly due to the decrease in net interest income as a result of the decline in average loans, and to the other operating expenses, only partially offset by the increase in net fee and commission income and profits on trading. However, operating margin, income before tax from continuing operations and net income all increased as a consequence of lower net adjustments to loans.
Allocated capital represented 8% of the Group total and amounted to 1,929 million euro, down on the level recorded for the corresponding period of the previous year. The downtrend in earnings resulted in a decrease in annualised ROE to 17.6% (from 33.2% in the first nine months of 2008). Value creation, expressed in terms of EVA®, fell to 57 million euro.

Banka Koper earned operating income of 78 million euro, up by 2.1% on the first nine months of 2008. The increase was due to profits on trading (+4.4%), which benefited from the sale of AFS assets, and net fee and commission income (+1.5%). Operating costs increased by 2.3% due to the expansion of all components. Net adjustments to loans increased by 83.8% compared to the same period in 2008 due to the deterioration of the macroeconomic situation. Net income amounted to 19 million euro, compared to 22 million euro for the same period in 2008.

The VUB Banka group recorded an operating margin of 186 million euro, with a 2.9% increase on the corresponding period of 2008. Operating income grew by 2.6%, mainly as a result of the positive performance of net interest income, which benefited from the increase in average volumes with customers (+23.1% loans to customers; +9% customer deposits) and in spreads. However, net fee and commission income decreased (-7%) as a result of lower income from insurance products and asset management. Profits on trading fell (-59.7%) due to lower profits from foreign exchange transactions following the adoption of the euro by Slovakia at the beginning of the year. Operating costs amounted to 162 million euro, up 2.2%, primarily due to the increase in personnel expenses. The increase in net adjustments to loans (from 27 million euro to 76 million euro) is attributable to the deteriorating quality of credit as a result of the economic crisis. Taking into account the positive effect of the release of the provisions for risks and charges (8 million euro) following the favourable outcome of a legal dispute, net income totalled 95 million euro, down 23.5%.

The CIB Bank group recorded operating income of 377 million euro, down 6% on the corresponding period in 2008. The decrease in revenues was mainly due to the reduction of the current account and loan components of net fee and commission income (-15.2%) and of net interest income (-9.3%) as a result of the depreciation of the local currency (if this effect is excluded, the caption was up 3%). Operating costs decreased by 13.5%, mainly due to lower personnel and administrative expenses. After increased net adjustments to loans of 183 million euro, compared to 54 million euro for the first nine months of 2008, attributable mainly to the real-estate sector of the corporate segment, net income amounted to 9 million euro, compared to 104 million euro in the same period of the previous year.

In the first nine months of 2009, the Privredna Banka Zagreb group's operating income was 346 million euro (-2.3% compared to the same period of the previous year). The performance may be attributed to the decrease in net interest income (-7.8%) and net fee and commission income (-7.8%), which more than offset the growth of profits on trading. Operating costs decreased 2.4%, amounting to 166 million euro, as a result of the reduction in administrative expenses. These trends brought operating margin to 180 million euro (-2.2%). Net adjustments to loans increased by 40 million euro. Net income amounted to 101 million euro, down 28.3% on the same period of the previous year.

Banca Intesa Beograd reported an operating margin of 104 million euro, substantially in line with the same period of 2008. This trend is essentially due to the exchange-rate effect (net of which the aggregate was up by 15.5%). Operating income was down by 1.3%, chiefly due to the downtrend in net fee and commission income (-8.4%). Operating costs decreased (-4.4%), due in particular to adjustments (-18.5%). Net income, penalised by higher net adjustments to loans, was 49 million euro, compared to 70 million euro in the first nine months of last year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first nine months of 2009 with an operating margin of 6 million euro, up 13.4% compared to the same period in 2008. The increase is due to higher revenues (+7.8%), which in turn were mainly attributable to the contribution of net interest income and profits on trading, which more than offset the reduction in net fee and commission income. Operating costs rose by 5.5%, chiefly in the administrative expenses component. Net adjustments to loans fell by 11.4%, due to lower specific provisions. Net income doubled compared to the same period in 2008 to reach 1.8 million euro.

Intesa Sanpaolo Bank Albania posted an operating margin of 15 million euro, down 1.9% on the corresponding period in 2008. Revenues fell by 0.8% due to the decrease in net fee and commission income, especially in collections and payments, loans, and in profits on trading, partially offset by the increase in net interest income, mainly as a result of the rise in average loans to customers and the total spread. Operating costs rose by 0.5% due to the increase in personnel expenses and in adjustments, only partially offset by the reduction in administrative expenses. After net adjustments to loans of 4 million euro, net income was 10 million euro, down 35.1% compared to the first nine months of 2008.

Intesa Sanpaolo Bank Romania recorded an operating margin of 5 million euro, down 56.1% on the corresponding period of 2008. Operating income (+4.3%) benefited from the strong performance of net interest income (+48.1%) linked to the increase in average volumes with customers (loans to customers: +19.9%) and in the spread. Net fee and commission income decreased (-65.5%) as a result of reduced commercial activities with customers. The growth in operating costs (+39.6%) was driven by the rise in human resources and the development of the distribution network. Net adjustments to loans amounted to 6 million, up on the same period in 2008 due to impairment of the loans portfolio. The net loss amounted to 1.2 million euro, compared to a net income of 7 million euro in the first nine months of 2008.

KMB Bank's income statement for the first nine months of 2009 closed with a loss of 24 million euro, compared to the 15 million euro profit for the same period in 2008. In detail, net interest income fell due to a reduction in the spread resulting from the general decrease in market rates, while intermediated volumes remained stable. Conversely, net fee and commission income increased as a result of generalised growth of all components. Operating costs decreased by 11.4% compared to the first nine months of the previous year, due to depreciation of the exchange rate (+7.3% in local currency). Net of this effect, there was an increase in personnel expenses and adjustments due to growth of commercial activities and expansion of the network. Net adjustments to loans increased significantly to reach 35 million euro, due to an increase in the non-performing assets linked to the Russian market crisis.

The operating margin for Pravex Bank totalled 3 million euro (-80.9% compared to the same period last year). Operating income fell by 45.9%, affected in part by exchange rate depreciation (change in local currency: -21%). In detail, the decline was generalised across all components: net fee and commission income, attributable to reduced lending activities, net interest income, due to the deterioration of the portfolio, and losses on trading. Operating costs fell by 38%, mainly due to reduced personnel expenses as a result of the downsizing of the workforce. Net adjustments to loans, which totalled 48 million euro, felt the impact of the deteriorating quality of credit caused by the worsening of the macroeconomic situation. Pravex Bank recorded a net loss of 40 million euro during the period, compared to the 6 million euro loss for the first nine months of 2008.

Bank of Alexandria's net income was 50 million euro compared to 36 million euro in the first nine months of 2008. Operating income nearly doubled, benefiting from net interest income (+57.2%), due to a rise in average volumes with customers (loans to customers: +52.2%) and profits on trading (+34 million euro). Operating costs increased by 41.7%: in particular, personnel expenses, administrative expenses in relation to the network expansion process and adjustments increased.

Eurizon Capital

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes	
			amount	%
Net interest income	2	7	-5	-71.4
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	178	254	-76	-29.9
Profits (Losses) on trading	3	9	-6	-66.7
Income from insurance business	-	-	-	-
Other operating income (expenses)	7	2	5	
Operating income	**190**	**272**	**-82**	**-30.1**
Personnel expenses	-36	-43	-7	-16.3
Other administrative expenses	-55	-66	-11	-16.7
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-92**	**-111**	**-19**	**-17.1**
Operating margin	**98**	**161**	**-63**	**-39.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-1	-1	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**98**	**160**	**-62**	**-38.8**
Taxes on income from continuing operations	-27	-44	-17	-38.6
Merger and restructuring-related charges (net of tax)	-	-9	-9	
Effect of purchase cost allocation (net of tax)	-29	-51	-22	-43.1
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**42**	**56**	**-14**	**-25.0**
Allocated capital	70	113	-43	-38.1
Profitability ratios (%)				
Cost / Income ratio	48.4	40.8	7.6	18.6
ROE	80.2	66.2	14.0	21.2
EVA® (in millions of euro)	65	107	-42	-39.3

	30.09.2009	31.12.2008	Changes	
			amount	%
Assets under management	135,093	129,161	5,932	4.6

Figures restated where required by international accounting standards and considering the changes in the scope of consolidation .

Eurizon Capital SGR controls the subsidiaries Eurizon A.I. SGR, specialised in funds of hedge funds, Epsilon Associati SGR, specialised in the management of mutual funds using quantitative methods, and Eurizon Capital SA (Luxembourg) and its Singapore branch, specialised in the management of mutual funds with low tracking error.
As part of the process of gradually centralising all of the Group's asset management operations with Eurizon Capital, the contribution by Intesa Sanpaolo of its 49% stake in the Chinese firm Penghua Fund Management Company Limited entered into effect in October.

Eurizon Capital focuses chiefly on supporting Eurizon Capital Specialists in synergy with Banca dei Territori. The initiative, launched in April, involves 40 resources to support the network with the aim of relaunching asset management operations.
The product launch plan for 2009 was updated and several Luxembourg funds (two sub-funds of Eurizon Stars, two sub-funds of the flexible fund Eurizon Focus Formula, two bond sub-funds of Eurizon Opportunità, and one sub-fund of the flexible fund MM Collection) were launched.

Overall, Eurizon Capital's assets under management amounted to 135 billion euro at the end of September 2009, an increase of 4.6% since the beginning of the year as a result of net inflows of 2.6 billion euro in the third quarter (compared to outflows of 4.6 billion euro in the first six months of the year) due to synergy with the insurance business. Mutual funds made a turnaround in the third quarter, posting net inflows of 275 million euro, whereas hedge funds and retail asset management schemes continued to show outflows, albeit more moderately. Asset management performance in the first nine months of the year also benefited from the bull market. Eurizon Capital's share of the mutual fund market came to 18.9% at the end of September.
Operating income for the first nine months of 2009 was 190 million euro, down 30.1% compared to the same period of the previous year, due to the less favourable product mix and the predominance of surrenders, leading to a reduction in assets under management. Operating costs decreased significantly (-17.1%) due to the synergies achieved following the integration of Eurizon Investimenti into Eurizon Capital. Revenue and cost trends were reflected in income before tax from continuing operations (-38.8%) and net income (-25%).
However, on a quarterly basis, the third quarter saw an increase in operating margin of 8% compared to the second quarter, owing to the recovery of revenues (+2.8%) and the decrease in operating costs (-2.1%).
Capital absorbed amounted to 70 million euro, down 43 million euro compared to the first nine months of 2008. Annualised ROE reached 80.2%, in line with the characteristic high values of this Business Unit, due to limited absorption of capital compared to the considerable volumes of assets managed by the company and placed by the Group's banking networks. EVA®, which measures value creation, decreased from 107 million euro to 65 million euro.

Banca Fideuram

(in millions of euro)

Income statement/Alternative performance indicators	30.09.2009	30.09.2008	Changes amount	Changes %
Net interest income	125	118	7	5.9
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	307	372	-65	-17.5
Profits (Losses) on trading	10	8	2	25.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	5	-4	-80.0
Operating income	**443**	**503**	**-60**	**-11.9**
Personnel expenses	-94	-95	-1	-1.1
Other administrative expenses	-137	-141	-4	-2.8
Adjustments to property, equipment and intangible assets	-13	-11	2	18.2
Operating costs	**-244**	**-247**	**-3**	**-1.2**
Operating margin	**199**	**256**	**-57**	**-22.3**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-29	-30	-1	-3.3
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-3	-3	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**170**	**223**	**-53**	**-23.8**
Taxes on income from continuing operations	-37	-54	-17	-31.5
Merger and restructuring-related charges (net of tax)	-2	-12	-10	-83.3
Effect of purchase cost allocation (net of tax)	-64	-83	-19	-22.9
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**67**	**74**	**-7**	**-9.5**
Allocated capital	286	345	-59	-17.1
Profitability ratios (%)				
Cost / Income ratio	55.1	49.1	6.0	12.2
ROE	31.3	28.7	2.7	9.3
EVA® (in millions of euro)	107	135	-28	-20.7

	30.09.2009	31.12.2008	Changes amount	Changes %
Assets under management	44,527	40,293	4,234	10.5

The initiatives undertaken by Banca Fideuram in the third quarter of 2009 were consistent with the objective of consolidating market leadership through the development of its key strengths. The guidelines of the product development plan were aimed at increasing customer deposits, with a gradual repositioning of deposits into the asset management segment, through UCI-based initiatives. Development of the products and services dedicated to the private customers segment also continued.
The third quarter saw the approval of a new distribution model, under which Banca Fideuram is to act as the primary placer in distribution activities for the product companies, in order to improve the production and operating structure of the Group's distribution of investment services and financial, insurance and pension products.

Total assets under management at the end of September 2009 amounted to 65 billion euro (broken down into 44.5 billion euro in assets under management and 20.5 billion euro in assets under administration), up 7.5% from the beginning of the year, due to the strong performance of capital markets and, to a lesser extent, net inflows of 616 million euro (404 million euro in the first nine months of 2008), over 70% of which was acquired as a result of the integration of Banca CR Firenze's network of private bankers into Sanpaolo Invest SIM. Net inflows to assets under management came to 1.1 billion euro, compared to a net negative balance of 4.4 billion euro during the first nine months of 2008, benefiting from the favourable performance of mutual funds. Assets under administration showed net outflows of 450 million euro, compared to net inflows of 4.8 billion euro in the same period of the previous year. These results confirm the validity of the process of repositioning customer portfolios towards assets under management in order to be able to take advantage of the opportunities offered by the recovery of capital markets.
Following the integration of the Banca CR Firenze network, the number of private bankers increased from 4,209 at the end of 2008 to 4,309 units as at 30 September 2009.
The operating margin for the first nine months of 2009 was 199 million euro, down 22.3% on the same period in 2008. This result is largely attributable to the decrease in net fee and commission income, linked to the reduced average AUM volumes and, in part, to the repositioning of the product mix in favour of bond and money-market products less profitable for the Bank, which more than offset the growth in net interest income and profits on trading. However, the decline in recurring net fee and commission income halted in the second quarter and this trend continued in the third quarter of 2009: in the period, total fee and commission income rose by 4.1% compared to the second quarter of the year. The increase in interest margin (+5.9% on the first nine months of 2008) is attributable to the improvement of spreads on funding, following the decision to increase exposure to fixed-rate assets by unwinding several securities hedging derivatives, which allowed the Bank to benefit from the decrease in market rates. Conversely, profits on trading, equal to 10 million euro, benefited from the income accrued through advance termination of several derivative contracts entered into in late 2008. Income before tax from continuing operations amounted to 170 million euro (-23.8% on the same period of last year). In conclusion, Banca Fideuram closed the first nine months of 2009 with a net income of 67 million euro, down 9.5% compared to the same period in 2008.
The capital absorbed by Banca Fideuram in the first nine months of 2009 was 286 million euro, a decrease compared to the corresponding period of last year. Annualised ROE stood at 31.3%, up from 28.7% in the same period in 2008. EVA®, a measure of value creation, declined to 107 million euro.

Corporate Centre

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

The Corporate Centre closed the first nine months of 2009 with an operating loss of 3 million euro, compared to an operating income of 576 million euro in the corresponding period of 2008. This performance was the result of lower net interest income, due to the higher cost of medium-/long-term funding and the effects of reduced interest rates on the imbalance between non-interest bearing liabilities and non-interest bearing assets, as well as the generalised lower profitability of subsidiaries carried at equity, especially those with the greatest exposure to the economic cycle, and other operating expenses. Operating costs were up 11.5% compared to the same period in 2008. Overall, the net loss came to 346 million euro, compared to the net income reported in the first nine months of 2008, which benefited from gains on the sale of Agos, in addition to the sale of 198 branches.

The Treasury Department includes services in euro and in foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the third quarter of 2009, Intesa Sanpaolo continued to play a key role on the domestic settlement market as a direct member and provider of settlement services to Group and third-party banks. In particular, the CR Firenze Group's transactions began to be settled through Intesa Sanpaolo during the reporting period. Treasury settlement activities in euro centralised in the Parent Company recorded on average of approximately 26,000 daily transactions, for an exchange value of over 52 billion euro between Target2 and EBA. The Treasury Department continued to play an active role in Italian and European working groups involved in development projects for new settlement systems. In particular, the department contributed to the project to extend SEPA (Single European Payment Area) settlement services, scheduled to become operative in autumn 2009, whilst development continued regarding security transaction procedures (Target2 Securities), collateral management (Correspondent Central Banking Model 2) and settlement of foreign exchange transactions through CLS.

Money markets continued to show gradual improvement in the third quarter of 2009, benefiting from the action taken by Central Banks, which continued to implement expansionary policies without changing official rate levels. The European Central Bank kept its policy rates at 1%, an all-time low in the history of the single currency. Unconventional monetary policy measures include the covered-bond purchasing programme, which met with widespread appreciation from the market. Following the placement of peak surplus fund levels present in the system, in June levels gradually decreased through partial renewals of financing transactions as they reached maturity during the quarter.
The U.S. money market also benefited from the measures taken by the Federal Reserve, which after reducing official rates to near zero in early 2009 continued to inject liquidity into the market through a purchasing programme.
Money market transactions recovered slowly over the summer. However, widespread caution prevented the unsecured segment from returning to pre-crisis efficiency levels, except to a minimal extent. Conversely, there continues to be interest in collateralised instruments, as confirmed by transactions on MIC (the Collateralised Interbank Market). Intesa Sanpaolo's liquidity position continued to be positive and was constantly managed by drawing from time to time on instruments offering the best liquidity and return. European and U.S. issuance programmes remained highly robust in the third quarter, in terms of funding and especially favourable pricing conditions, owing to the market's excellent perception of the Intesa Sanpaolo brand.

With regard to the securities portfolio, the liquidity portfolio management policy focused on eligible assets. The process of the contraction of spreads on assets in portfolio continued to an even greater extent in the third quarter. In particular, the covered-bond segment benefited from the repurchase programme currently being implemented by the European Central Bank, in terms of greater liquidity, the extent of tightening, and the recovery of the primary market. These liquidity portfolios are funded mainly by issuing short-term financial instruments but with maturity extended over several months, which therefore constitute liquidity buffers for use in stress scenarios over and beyond the facilities made available by Central Banks. In particular, the Bank continued to play a primary role in supporting operations on the market for domestic electronic screen-based repurchase agreements for euro area government bonds.
With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structure under the supervision of the Risk Management Department. Despite the sharp drop in short-term interest rates over

the last few months, the reduction in mark-down on demand deposits was significantly offset by the decisions made to protect the interest margin. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at the Group level. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

In the third quarter of 2009, the Bank completed international funding transactions with maturities of 12 months or more, including private placements, U.S. deposit certificates for approximately 2.4 billion and a 1.5 billion euro, ten-year international public bond issue. The latter represents the first case of the issuance of subordinated lower tier two notes by an Italian issuer after the Lehman Brothers bankruptcy and was the second-largest by amount in 2009 internationally.
In the first nine months of the year, the total issues of Group securities placed on the domestic market through its own and third-party networks was 26.4 billion euro, 800 million euro of which in subordinated floating-rate lower tier 2 securities with an average 5-year maturity. Structured bonds (mainly structured interest-rate securities) represented the bulk of the securities placed at 54.2%, whereas the weight of plain vanilla securities was 45.8%. Breaking down securities by average lifetime, the bulk (65%) consists of maturities of two to three years, while securities with maturities of more than three years represent 35%.

In structured finance, on 20 July the Bank completed the securitisation of a portfolio of performing residential mortgages for 5,860 million, transferred without recourse to the vehicle Adriano Finance Srl in late May, against the issue by the vehicle of RMBSs for the same amount, subscribed in their entirety by the Parent Company. The Bank also provided Adriano Finance with a limited-recourse subordinated loan with a maturity matching that of the notes. Intesa Sanpaolo structured the transaction in conjunction with Banca IMI, which also aided the Bank by serving as lead manager and bookrunner for the issue. The structuring of the programme to issue bank bonds guaranteed by Intesa Sanpaolo, secured by the assets of its subsidiary BIIS, in the maximum amount of 10 billion euro, was completed in the third quarter of 2009. On 24 July 2009 the Bank finalized the issue of the first tranche of 3 billion euro, subscribed in its entirety by BIIS, which is holding it as a liquidity reserve. Banca IMI was responsible for structuring the programme, as well as serving as the Bank's lead manager and bookrunner for the inaugural issue.

The equity investment in the French bank Natixis was sold in the third quarter of 2009. The interest, held through the investee Intesa Sanpaolo Holding International, consisted of approximately 47 million shares (1.62% of share capital), and was carried at 58.8 million euro (1.25 euro per share). The investment was sold for a consideration of 145 million euro (3.08 euro per share), leading to the realisation of a capital gain of 86 million euro at the consolidated level.

Risk management

BASIC PRINCIPLES

The policies relating to risk acceptance are defined by the Parent Company's Administrative Bodies (Supervisory Board and Management Board), with support from specific Committees.

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries these functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.

The risk measurement and management tools together define a risk-monitoring framework at Group level, capable of assessing risks assumed from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The capital position forms the basis for business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

In June 2004, the Basel Committee on Banking Supervision published the final version of the Capital Accord ("Basel 2"), endorsed by the European Union at the end of 2005 through the Capital Adequacy Directive and in Italy by Law Decree 297 of 27 December 2006.

In 2007, Intesa Sanpaolo launched the "Basel 2 Project" to prepare the Group for the adoption of advanced approaches, building on the pre-merger experience of Intesa and Sanpaolo IMI. In 2008, it began the approval process for their adoption.

With regard to credit risks, a "first scope" of Group entities that use approaches based on internal models was identified. For these entities, the Group obtained authorisation to use the IRB Foundation approach for the Corporate segment, starting from the report as at 31 December 2008. The rating models and credit processes for the SME Retail and Retail (Residential mortgages) segments were also implemented in 2008. With the release of the Loss Given Default (LGD) model, now being completed, by the end of the first half of 2010 it will be possible to adopt the Advanced IRB approach for the SME Retail and Retail (Residential mortgages) segments.

Rating model development for other segments and extension of the business application scope is in progress, in line with a gradual programme for the adoption of advanced approaches submitted to the Supervisory Authority.

With regard to operational risks, implementation of the AMA approach for some Group Companies (which include Banks and Companies of the Banca dei Territori Division, Leasint, Eurizon Capital and VUB Banka) was completed. Moreover, authorisation to use the internal Advanced Measurement Approach (AMA) in the calculation of the capital requirements has been requested to the Bank of Italy.

With respect to the Internal capital adequacy assessment process (i.e., ICAAP of Pillar 2 of the Basel 2 Accord), the Group presented the interim and final reports for 2008, as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available. The reports show satisfactory capital adequacy under both ordinary and stress conditions.

As part of the adoption of "Basel 2" by the Italian banking system, Bank of Italy Circular 263 of 27 December 2006 "New regulations for the prudential supervision of banks" sets out the procedures that must be adopted by Italian banks and banking groups in public disclosures on capital adequacy, risk exposure and the general features of the risk identification, measurement and management systems

(Basel 2 - Pillar 3).
In brief, the new instructions envisage the drawing up of a separate report on banking group risk in addition to that already included in the financial statements. This disclosure, drawn up in accordance with the provisions of the aforementioned circular, which incorporates the provisions of Annex XII to EU Directive 2006/48, is published in accordance with the rules laid down by the Bank of Italy with the following frequency:
- figures as at 31 December: full qualitative and quantitative disclosure;
- figures as at 30 June: update of the quantitative disclosure (as Intesa Sanpaolo is among the groups that have adopted IRB and/or AMA approaches for credit and operational risk);
- figures as at 31 March/30 September: update of the information relating to capital and capital adequacy (as Intesa Sanpaolo is among the groups that have adopted IRB and/or AMA approaches for credit and operational risk).

The Intesa Sanpaolo Group publishes the Basel 2 Pillar 3 disclosure and subsequent updates on its website at the address: group.intesasanpaolo.com.

CREDIT RISK

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with respect to loans to customers, risk is measured using rating models which change according to the segment to which the counterparty belongs.
The policies applied by the Group in financing the economy are aimed at:
- coordination of actions to achieve a sustainable objective, consistent with the Group's risk appetite and value creation;
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, single sectors or geographical areas;
- efficient selection of the single borrowers via an attentive creditworthiness analysis aimed at containing default risk, notwithstanding the objective of privileging commercial lending or loans to support new production capacity with respect to merely financial interventions.

The management of credit risk profiles of the loan portfolio is assured, starting from the analysis and granting phases, by:
- checking the existence of the necessary conditions for creditworthiness, with particular focus on the customer's current and prospective capacity to produce satisfactory income and congruous cash flows, considering the course of the relationship already in progress;
- applying the regulations on Credit policies;
- assessing the nature and size of proposed loans, considering the actual requirements of the counterparty requesting the loan, the course of the relationship already in progress, the presence of any relationship between the client and other borrowers and the Credit Policies defined;
- controlling the relationships, by means of information technology procedures and systematic surveillance of the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures.

Constant monitoring of the quality of the loan portfolio is also ensured by specific operating checks for all the phases of loan management: these actions are aimed at monitoring the transition of exposures from performing to non-performing status and vice-versa, including through the deterioration of the rating, following the calculation/confirmation of the group administrative position.

Credit quality

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting. In particular, such activities are performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Positions to which the synthetic risk indicator attributes a persistent high-risk rating are intercepted (manually or automatically) and included in an operational category based on their risk profile. They are classified in the following categories: doubtful loans, i.e., exposures to borrowers in default or in similar situations; substandard loans, i.e., exposures to borrowers in temporary difficulty, deemed likely to be

settled in a reasonable period of time; restructured loans, i.e., positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Last, non-performing loans include loans past due by over 90 or 180 days which exceeded the warning threshold, as set out by the Bank of Italy.

(in millions of euro)

	30.09.2009			31.12.2008			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	15,336	-10,477	4,859	13,047	-9,079	3,968	891
Substandard loans	11,531	-2,514	9,017	7,011	-1,720	5,291	3,726
Restructured loans	2,083	-89	1,994	534	-135	399	1,595
Past due loans	2,272	-174	2,098	2,022	-156	1,866	232
Non-performing loans	**31,222**	**-13,254**	**17,968**	**22,614**	**-11,090**	**11,524**	**6,444**
Performing loans	344,093	-2,472	341,621	370,611	-2,442	368,169	-26,548
Performing loans represented by securities	18,876	-569	18,307	15,863	-367	15,496	2,811
Loans to customers	**394,191**	**-16,295**	**377,896**	**409,088**	**-13,899**	**395,189**	**-17,293**

Figures restated on a consistent basis, considering the changes in the scope of consolidation.

As at 30 September 2009, the Group recorded an increase in non-performing loans both in gross terms (+38.1%) and net of adjustments (+55.9%). This trend led to a higher incidence of net non-performing loans on total net loans to customers, increasing from 2.9% to 4.8%. As at 30 September 2009, the coverage of non-performing loans, pursued through prudent provisioning policies extended to all commercial banks, totalled approximately 42%, compared to the 49% recorded at the end of 2008. The decrease is mainly due to the inclusion of a position of a significant amount under restructured loans, deemed fully recoverable following the restructuring transaction.

In more detail, doubtful loans net of adjustments totalled 4,859 million euro, with an 891 million euro rise from the beginning of the year (+22.5%); the incidence on total loans was 1.3%, with a coverage ratio of 68.3%.

Substandard loans, 9,017 million euro net of adjustments, recorded a 70% rise with respect to 31 December 2008. This is due to new positions of a significant amount, assisted by guarantees, which required limited provisions; the incidence on total loans was 2.4%, with a coverage ratio of approximately 22%.

Restructured loans, 1,994 million euro net of adjustments, showed an increase over the 399 million euro as at 31 December 2008, mainly due to the above-mentioned restructuring transaction. The related coverage ratio is 4.3%.

Past due loans amounted to 2,098 million euro net of adjustments with a 232 million euro increase (+12.4%) and an approximate 7.7% coverage ratio.

Cumulated collective adjustments on performing loans came to 0.7% of gross exposure relating to loans to customers, stable with respect to the figure at the end of the previous year. The risk associated with the performing loan portfolio is calculated collectively on the basis of the risk configuration of the entire portfolio analysed by means of models that consider the Probability of Default (PD) and Loss Given Default (LGD) for each loan.

MARKET RISKS

TRADING BOOK

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

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

Other Group subsidiaries hold smaller trading books with a marginal risk (around 6% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.

For some of the abovementioned risk factors, the Supervisory authority validated the internal models for the regulatory measurement of capital absorption of both Intesa Sanpaolo (internal model extended during 2007 to the books of the former Sanpaolo IMI Finance Department) and Banca IMI (the internal model, previously validated for the former Banca Caboto component, was extended, in the first quarter of 2008, to the former Banca IMI portfolios).

In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI solely with reference to the quotas in CPPI (Constant Proportion Portfolio Insurance) for Banca IMI, and (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators, VaR being the most important one. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds). VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.

The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of simulation of illiquid parameters.

In the third quarter of 2009, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the second quarter of 2009. The average VaR for the period totalled 36.4 million euro.

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

(in millions of euro)

	2009					2008			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	25,8	24,5	26,6	27,9	32,3	42,1	31,5	37,9	29,4
Banca IMI	10,6	8,5	14,1	15,7	18,0	18,3	10,1	12,9	9,0
Total	**36,4**	**34,1**	**39,9**	**43,6**	**50,3**	**60,4**	**41,6**	**50,8**	**38,4**

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

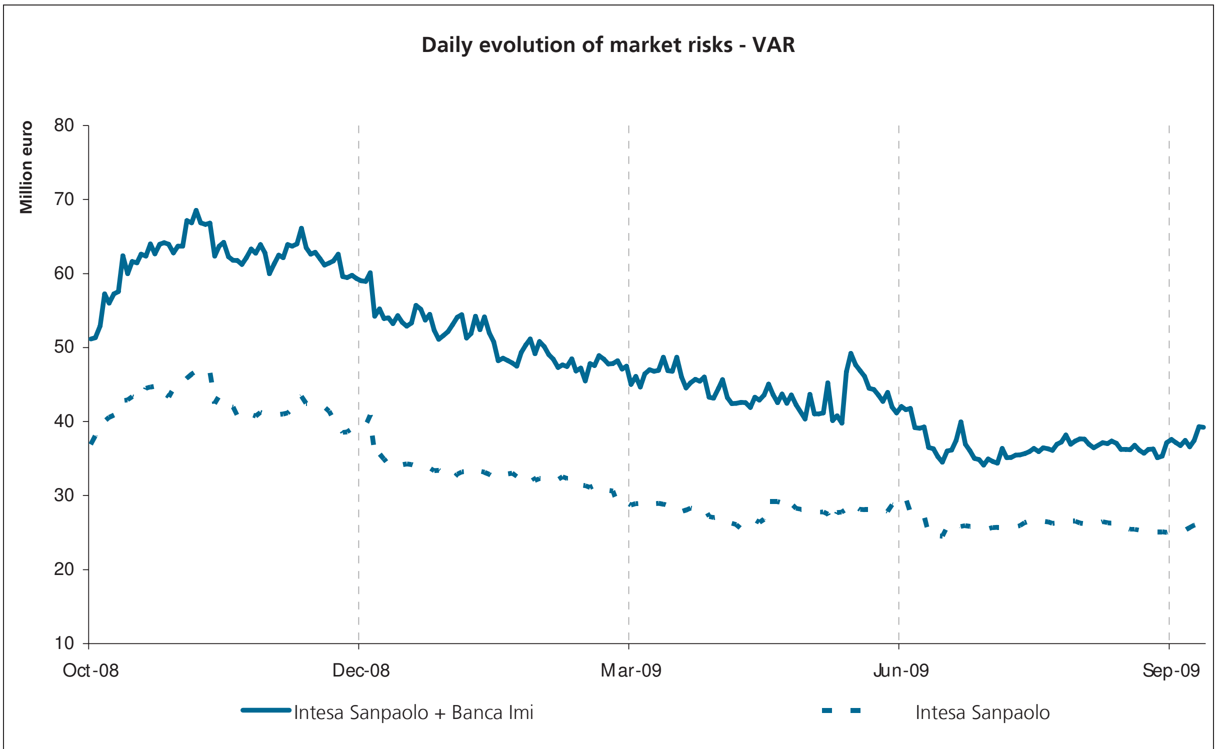
For Intesa Sanpaolo and Banca IMI the breakdown of risk profile in the third quarter of 2009 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 58% of total VaR; for Banca IMI interest rate risk was the most significant representing 36% of total VaR.

Contribution of risk factors to overall VaR [(a)]

3rd quarter 2009	Shares	Rates	Credit spread	Foreign Exchange	Hedge fund	Other parameters
Intesa Sanpaolo	10%	10%	6%	1%	58%	15%
Banca IMI	29%	36%	19%	2%	-	14%
Total	**18%**	**20%**	**12%**	**2%**	**34%**	**14%**

[(a)] Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the second quarter of 2009, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

VaR in the last twelve months is set out below. The third quarter of 2009 recorded a drop in VaR, primarily from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact on volatilities on historic simulation scenarios.
As indicated in the chapter on balance sheet aggregates, a reclassification to LR (Loans & Receivables) was performed in October 2008, as permitted by IAS, on certain highly illiquid securities (mainly ABSs).
The average VaR in the third quarter of 2009 for this portfolio, not included in the VaR limit monitoring and the above statistics, was approximately 9.8 million euro.



Risk control with regard to the trading activities of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices as at the end of September are summarised in the following table.

In particular:
– on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 4 million euro loss;
– on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 17 million euro loss, whereas a parallel -25 basis point shift would have led to a 17 million euro gain;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 23 million euro loss, 10 million euro of which attributable to structured credit products, whereas a 25 basis point contraction of the spreads would have led to a 24 million euro gain, 10 million euro of which attributable to SCP;

– on foreign exchange exposures, the portfolio would have recorded a 13 million euro gain in the event of exchange depreciation (-10%). A foreign exchange appreciation (+10%) would have led to a 1 million euro loss;
– lastly, on commodity exposures a 3 million euro loss would have been recorded had there been a 50% decrease in prices.

(in millions of euro)

	Equity		Interest rates		Credit spreads		Foreign Exchange rates		Commodities	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	0	-4	17	-17	24	-23	13	-1	-3	6
of which SCP					*10*	*-10*				

BANKING BOOK

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

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

In the first nine months of 2009, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 484 million euro settling at 458 million euro at the end of September, almost entirely concentrated on the euro currency; these figures compare with 484 million euro at the end of 2008.
Sensitivity of the interest margin – in the event of a 100 basis point rise in interest rates – amounted to +184 million euro (-180 million euro in the event of reduction) at the end of September 2009; these values

record an increase compared to the 2008 year-end figures of +102 million euro and -92 million euro, respectively, in the event of an increase/decrease in interest rates.
Interest rate risk, measured in terms of VaR, averaged 155 million euro in the first three quarters of 2009 (177 million euro at the end of 2008) and reached a value of 141 million euro at the end of September, with minimum and peak values of 86 million euro and 178 million euro, respectively.
Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 143 million euro (120 million euro at the end of 2008) in the first nine months of 2009, with minimum and peak values of 87 million euro and 180 million euro respectively. VaR at the end of September amounted to 158 million euro.
Last, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to -82 million euro at the end of September 2009.

INFORMATION ON FINANCIAL PRODUCTS

The following information on credit and market risk exposure, in various forms, directly or through vehicles, is provided in line with the requests for utmost transparency made by supranational and national Supervisory authorities. As for the previous reports, reference is made to the requirements of the Bank of Italy (communication of 18 June 2008), and Consob (letter of 23 July 2008), also considering the recommendations contained in the Report of the Financial Stability Forum of April 2008, referred to by both Supervisory Authorities.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General Principles

IAS/IFRS state that financial products in the trading portfolio must be measured at fair value through profit and loss. The existence of official prices in an active market[1] represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the registration of financial assets and liabilities in the trading portfolio.

If there is no active market, fair value is determined using valuation techniques aimed at ultimately establishing what the transaction price would have been on the measurement date, in an arm-length exchange, motivated by normal business considerations. Such techniques include:

- reference to market values indirectly connected to the instrument to be valued and presumed from products with the same risk profile (comparable approach);
- valuations performed using – even partly – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (Mark-to-Model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: if a published price quotation in an active market is available then the other valuation approaches may not be used.

Hierarchy of fair value

As described above, the hierarchy of measurement models, i.e. of the approaches adopted for fair value measurement, attributes absolute priority to effective market quotes for valuation of assets and liabilities or for similar assets and liabilities (comparable approach) and a lower priority to non-observable and, therefore, more discretional inputs (Mark-to-Model Approach).

1. *Effective market quotes*

In this case the valuation is the price of the same financial instrument to be measured on the basis of prices quoted on an active market.

The percentage (determined in relation to fair value in case of derivatives) of instruments valued with this methodology on the total of instruments measured at fair value is set out below:

Financial assets:	
- cash	75.7%
- derivatives	1.8%
Financial liabilities:	
- cash	34.0%
- derivatives	3.7%

2. *Valuation Techniques: Comparable Approach*

In this case the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model).

The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured.

The calculation methodologies (pricing models) used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional

[1] A financial instrument is considered as quoted on an active market if the quotations, reflecting normal market transactions, are promptly and regularly available through organised markets (exchanges), brokers, intermediaries, companies operating in the sector, quotation services or authorised bodies, and such prices represent effective and regular market transactions taking place over a normal period of reference.

parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The percentage of the instruments valued with this method (determined in relation to fair value in the case of derivatives) in the total of the instruments measured at fair value is as follows:

Financial assets:	
- cash	21.2%
- derivatives	97.8%
Financial liabilities:	
- cash	66.0%
- derivatives	94.7%

3. Valuation Techniques: Mark-to-Model Approach

In this case valuations are based on various inputs, which are not presumed directly from parameters which may be observed on the market and therefore imply estimates and assumptions on the part of the valuator.
In particular, with this approach the valuation of the financial instrument uses a calculation method (pricing model) based on specific assumptions of:
- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The percentage of the instruments valued with this method (determined in relation to fair value in the case of derivatives) in the total of the instruments measured at fair value is as follows:

Financial assets:	
- cash	3.1%
- derivatives	0.4%
Financial liabilities:	
- cash	-
- derivatives	1.6%

The cash financial assets include investments in equities of 1.4 billion euro, classified as securities available for sale.

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

The positive elements that emerged during the second quarter were confirmed in the third quarter. In particular, the positive credit spread trend strengthened and an overall contraction was seen in all the main asset classes.
The secondary market made a further recovery, especially for the higher rating classes, which ensured continuation of the portfolio disposal strategy already in progress. Confirming this is the closure of other transactions through market disposal or after counterparty exercise of a repurchase option.
Signs that the market is resettling were also seen in the reduction of the difference between secondary and primary spreads. The demand for new issues, no longer purely for funding purposes, was widespread among investors.
However, the reference framework is still characterised by elements that suggest caution, particularly the high unemployment rates and the related impact on delinquency and default on assets used as collateral for structured credit products.

Highlights

Before describing the results as at 30 September 2009, please note that the qualitative and quantitative composition of investments in structured credit products, penalised to various extents by the events that affected financial markets from the second half of 2007, has changed with respect to the information disclosed as at the end of last year and at the end of the first half of this year. Compared to 30 June 2009, despite the downgrade of a growing portion of these investments (approximately 24%), the good quality of the portfolio is confirmed, as shown by the following indicators:

– 87% of exposure is Investment Grade;
– 43% of this exposure has a Super senior (13%) or AAA (30%) rating; these percentages decreased considerably with respect to 31 December 2008;
– 13% has a rating of BBB or lower;
– 34% of the exposure has a pre-2005 vintage[2];
– 31% has a 2005 vintage;
– only 10 % of exposure refers to the US Residential segment, and 29% to the US non-residential segment;
– the remaining exposure (61% of the total) is mostly (53%) European.

Considering underlying contract types, approximately two thirds of the exposure is represented by CLOs (30%) and CDOs (32%); the rest is made up of ABSs (16%) and RMBSs (17%); CMBS represent 5% of the total.

Regarding the valuation methods adopted, unfunded positions are measured using the Mark-to-Model Approach. For funded products, the use of valuation methods involved the Comparable Approach in 59% of cases and the Mark-to-Model Approach (41% of cases). For further details on adopted valuation methods see details on the determination of the fair value of financial assets and liabilities provided in the 2008 Annual Report.

The structured credit products affected by the financial crisis are indicated by segregating the part classified under Financial assets held for trading and available for sale from those classified as Loans[3]. The tables illustrate the impact on the income statement of both aggregates.

The information set out below refers to the entire Group; where present, any effects and positions, which are in any case immaterial, ascribable to entities other than the Parent Company, are specifically highlighted in the comments and/or in the detailed tables.

In the summary tables provided below, table (a) sets out risk exposure as at 30 September 2009 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of the year, compared with the corresponding values recorded as at 31 December 2008.

Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged. For a more complete description of exposures of this type see the specific paragraphs Monoline risk and Non-monoline packages.

The translation to euro of values expressed in USD as at 31 December 2008 occurred at an exchange rate of 1.3917 euro per dollar, and as at 30 September 2009 at an exchange rate of 1.4643 euro per dollar.

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

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

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(in millions of euro)

Financial assets held for trading	**30.09.2009**		**31.12.2008**	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**32**	**21**	**23**	**-4**
Contagion area	**230**	**-71**	**207**	**-166**
- Multisector CDOs	155	-72	125	-103
- Alt-A	-	-	-	-
- TruPS	75	1	82	-63
- Prime CMOs	-	-	-	-
Other structured credit products	**1,730**	**-27**	**3,056**	**-327**
- Funded European/US ABS/CDOs	365	37	430	-53
- Unfunded super senior CDOs	1,422	-51	3,043	-249
- Other	-57	-13	-417	-25
Total	**1,992**	**-77**	**3,286**	**-497**
in addition to:				
Positions of funds	-	10	-	41
Total Financial assets held for trading	**1,992**	**-67**	**3,286**	**-456**

Loans	**30.09.2009**		**31.12.2008**	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**7**	**-1**	**6**	**-**
Contagion area	**110**	**-**	**138**	**-5**
- Multisector CDOs	14	-	12	-
- Alt-A	62	-	78	-2
- TruPS	-	-	-	-
- Prime CMOs	34	-	48	-3
Other structured credit products	**2,323**	**8**	**1,973**	**-57**
- Funded European/US ABS/CDOs	1,436	-4	1,729	-57
- Funded super senior CDOs	740	12	-	-
- Other	147	-	244	-
Total	**2,440**	**7**	**2,117**	**-62**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,440**	**7**	**2,117**	**-62**
Total	**4,432**	**-60**	**5,403**	**-518**

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

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

b) Exposure in packages

(in millions of euro)

Detailed table	30.09.2009		31.12.2008	
	Credit exposure to protection seller (CDS fair value) post write-down	**Income Statement** Profits (Losses) on trading	**Credit exposure to protection seller** (CDS fair value) post write-down	**Income Statement** Profits (Losses) on trading
Monoline risk	14	27	-	-94
Non monoline packages	96	4	154	-
Total	**110**	**31**	**154**	**-94**

Structured credit products improved, reaching -29 million euro as at 30 September 2009 (of which -60 million euro funded and unfunded ABS/CDOs and +31 million euro in package exposure).
Regarding the first of these, the impact affected "Profits (Losses) on trading – Caption 80" by -67 million euro (10 million euro of which attributable to fund positions). The negative result for this segment is essentially due to the negative contribution of funded and unfunded positions associated with the "Contagion Area" (-71 million as at 30 September 2009), mitigated only in part by the positive results in its related fund positions. The deterioration in this segment (-31 million euro in the third quarter of 2009, including -2 million euro associated with fund positions), must be considered alongside the improvement recorded in the US Subprime segment (21 million euro as at 30 September 2009, 24 million euro of which in the third quarter). This different illustration of the effect these two areas had on the income statement is due to the change in the percentage of US RMBS since the start of the year on total collateral assets, to one position split between the two segments, and to the change in market figures used for estimates, in turn affected by the narrowing difference between spreads seen in recent months. Added to this is the negative effect generated in the first nine months of the year by unfunded positions in the "Other structured credit products" area (-64 million euro as at 30 September 2009, of which -51 million euro under unfunded super senior CDOs and -13 million euro under other unfunded positions), affected by the downgrade and default on assets included in the positions as collateral. These phenomena weakened a little in the third quarter, as seen in the positive contribution (22 million euro) of the segment.
On the other hand, there was the positive contribution of European and US funded ABS/CDOs to profit/loss for the period as at 30 September 2009 (37 million euro). This result benefited mainly from the good portfolio performance of the subsidiary Banca IMI (23 million euro) and profits from the market disposal of a number of positions (12 million euro). In the third quarter of 2009 these positions made a positive 12 million euro contribution to the income statement.
As at 30 September 2009 securities reclassified under the loan portfolio recorded profits on market disposals of 14 million euro and losses for impairment of securities of 7 million euro. The contribution of this segment in the third quarter of 2009 was a positive 9 million euro.
The contribution of the "Monoline risk" and "Non-monoline packages" was also positive with a total result of 31 million euro as at 30 September 2009 (+12 million euro in the third quarter), thanks to the progressive reduction of exposure to counterparties and a slight improvement in their creditworthiness.
As at 30 September 2009, this aggregate included bonds classified as loans for a total nominal value of 2,672 million euro and risk exposure of 2,440 million euro. Of this amount, 184 million euro referred to securities reclassified from available for sale to the loans portfolio. As at 30 September 2009 their fair value was 134 million euro. The positive impact of this transaction on the Valuation reserve under Shareholders' Equity was 50 million euro. The remaining 2,256 million was reclassified from the trading book to the loans portfolio. The fair value of this aggregate as at 30 September 2009 was 1,950 million euro, with a positive effect on the income statement of 306 million euro, 299 million euro of which referring to 31 December 2008. Had the loans portfolio not been reclassified, the negative result for structured products would have increased to -36 million euro in the first nine months of 2009.
For a detailed illustration of the various product types, please refer to the information provided in the Half-yearly Report as at 30 June 2009.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities:

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

The sponsor of the transaction is normally an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising finance, securitising its assets or offering customers a financial service.
No changes in consolidation criteria have been made with respect to the previous year.

The types of transactions in SPEs related to Intesa Sanpaolo's current operations are set out below.

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company.
These SPEs, which are controlled by Intesa Sanpaolo and are part of the Group's scope of consolidation as per IAS 27, are: Intesa Funding LLC, San Paolo IMI Financial CO., IntesaBCI Preferred Capital Company LLC III and SanPaolo IMI Capital Company LLC 1. All these SPEs are based in the USA.
There has been no change to the figure recorded in the Half-yearly Report as at 30 June 2009.

The total SPE assets are almost fully represented by loans to the Parent Company Intesa Sanpaolo and as at 30 September 2009 totalled 13,490 million euro (12,533 million as at 30 June 2009). The total securities issued – 100% guaranteed by the Parent Company – amounted to 13,349 million as at 30 September 2009 (12,415 million as at 30 June 2009).

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of Eurizon Vita and Eurizon Life who retain the majority of the risks and rewards; SPEs for insurance products are consolidated according to IAS 27 / SIC 12.
There has been no change in the number of consolidated companies or in their total assets from that recorded in the Half-yearly Report as at 30 June 2009.

Securitisation SPEs

These are SPEs which permit an entity to raise funds for the securitisation of part of its assets. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market or through a private placement. Funding raised in this way is reversed to the seller while commitments to underwriters are met by using the cash flows generated by the loans sold.
SPEs of this type, which are part of the scope of consolidation as at 30 September 2009 pursuant to IAS 27 or SIC 12, are: Intesa Sec S.p.A., Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Intesa Sec NPL S.p.A., Intesa Lease Sec S.r.l., Split 2 S.r.l., ISP CB Pubblico S.r.l., Adriano Finance S.r.l. – Series 1 and 2 – and Adriano Finance 2 S.r.l..
These companies, incorporated under Italian law, have been used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies.
Augusto, Colombo and Diocleziano are securitisation vehicles of assets (residential mortgages), mostly to finance long-term mortgages and public works, of companies subject to joint control and later sold.
The securities held have been measured at fair value, as in previous years, except for securities issued by the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l., that are classified to the loans portfolio and

valued at amortised cost.
For the securitisations prior to 1 January 2004 (Intesa Sec, Intesa Sec 2, Intesa Sec Npl and Intesa Lease Sec.), the Group used the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1, and therefore the assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations, have not been recorded in the financial statements. For transactions stipulated after that date, the provisions of IAS 39 on derecognition of financial assets and liabilities are applied.
The securitised assets of this type of vehicle are represented as follows: performing mortgages - Intesa Sec S.p.A.; performing residential mortgages - Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l.; non-performing mortgages – Intesa Sec NPL S.p.A., performing loans and cash commitments – Intesa Lease Sec S.r.l. and Split 2 S.r.l.. Total assets of Augusto, Colombo and Diocleziano are instead almost entirely made up of land financing.
Note that:
- ISP CB Ipotecario S.r.l. and ISP Sec 4 S.r.l. were no longer operative as at 30 September 2009;
- the securitisation of Adriano Finance 3 S.r.l. is being defined.

To complete the information, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages) should also be mentioned.
The total assets of this type of vehicle, there were no significant changes in the total securities issued and total securities repurchased by the Intesa Sanpaolo Group from the figures recorded as at 30 June 2009.

Furthermore, pursuant to the above-mentioned SIC 12, Intesa Sanpaolo controls:
- Romulus Funding Corporation, a company based in the USA that purchases financial assets, represented by loans or securities with predefined eligibility criteria originating from Bank customers, and finances purchases by issuing Asset Backed Commercial Papers;
- Duomo Funding PLC, an entity which performs an activity similar to that of Romulus Funding Plc. but is limited to the European market and is financed through funding contracts with Romulus.

As at 30 September 2009, Romulus total assets amounted to 1,861 million euro (1,628 million euro as at 31 December 2008). The vehicle's assets include loans to customers of 1,684 million euro, of which 1,202 million euro to Duomo. The vehicle's securities portfolio is classified entirely under loans. As at 30 September 2009, the securities had a nominal value of 190 million euro, valued at amortised cost. Their carrying amount at the same date was 160 million euro. These securities are all included among structured credit products. Liquidity and other assets amounting to approximately 17 million euro (of which 15 million euro for positive fair value derivatives) also form part of the assets. Note that the commercial papers issued by the company for a total of 1,780 million euro (1,670 million as at 31 December 2008) have been fully placed on the market. Total Duomo assets amounted to approximately 1 billion euro (essentially in line with the December 2008 figure).
Intesa Sanpaolo holds no interest in SPQR II S.r.l. (CBO 1) and SPQR II S.r.l. (CBO II), but the companies were consolidated as the Group retains the majority of costs and benefits (SIC 12).
The vehicle assets are almost entirely made up of a portfolio of bonds issued by Italian public entities, sold to the vehicle by Banca OPI (now Banca Infrastrutture Innovazione e Sviluppo - BIIS). The vehicle, in turn, issued senior and junior securities; both security types were repurchased by BIIS, which allocated the senior classes as collateral to its funding with the European Central Bank, via transactions closed through the Parent Company Intesa Sanpaolo.
The overall total of SPQR II S.r.l. assets and securities issued remained unchanged from the figure recorded as at 30 June 2009.

Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle "Da Vinci" to hedge and actively manage risk exposure in the aircraft and aeronautic sector.

Financial Engineering SPEs

These SPEs make investments and funding which allow better risk/return combinations than those generated by standard transactions, due to their particular structure aimed at optimising accounting, tax and/or regulatory issues. These structures have been established to meet the needs of top customers and to provide solutions that offer financing at competitive interest rates and investments with higher returns.
Intesa Sanpaolo controls and consolidates Intesa Investimenti S.p.A., a company established to invest in quotas of Italian and international UCITS, in quotas and shares of other Italian and international entities and in Government securities of G7 countries, with the simultaneous subscription of a commitment to resell at a future date and at a predetermined price; all assisted by swaps aimed at assuring an adequate profitability of the investment. Intesa Sanpaolo replicates every transaction, again with a repurchase agreement with Intesa Investimenti, whose shares are in turn the object of an analogous contract with

investing customers. The company is currently inoperative.
From the second quarter of 2009, Lunar Funding Plc, a vehicle set up in Ireland and used for repackaging operations by a leading bank, entered the scope of consolidation.
The assets of the vehicle are almost entirely made up of term deposits with the Parent Company Intesa Sanpaolo, and remain unchanged since June 2009.

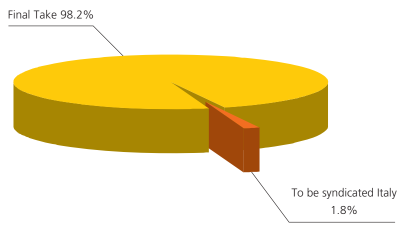
Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed, Leveraged & Acquisition Finance and Credit Derivatives) reference should be made to the Half-yearly Report as at 30 June 2009.

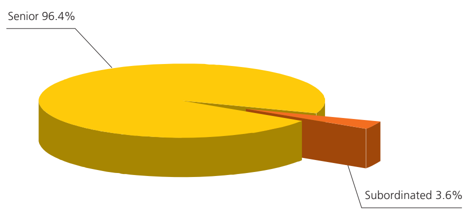
LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), linked to full or part acquisition of the companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 30 September 2009, around 110 transactions, for a total amount granted of 4,786 million euro, met the above definition.
Such exposures are mostly classified in the loan portfolio. These also include the portions of syndicated loans underwritten or under syndication destined from the outset to be sold. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

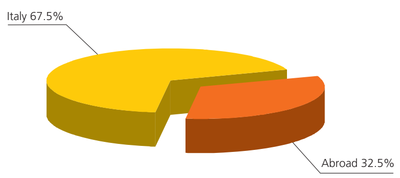
Breakdown by type of risk



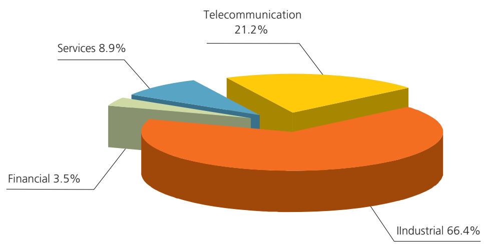
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

As at 30 September 2009, the Hedge Funds portfolio totalled 684 million euro, down on the 852 million euro recorded at year-end 2008. The decrease is also due to disposals totalling 314 million euro and to new positions amounting to 141 million euro.

At the same date, the contribution of these investments to Profits (Losses) on trading doubled compared to the figure recorded for the first half of the year: the total as at 30 September 2009 was 112 million euro (of which 10 million euro included in the disclosure of structured credit products). Of these net profits:

– 27 million euro refers to profits on trading of funds for the first nine months of the year (including 4 million euro in the structured credit products disclosure);
– 94 million euro arises from net valuation of positions remaining at the end of the quarter (including 6 million euro in the structured credit products disclosure);
– 9 million euro from other net charges.

Taking into account the net capital gains on the final residual amount (94 million euro), these are spread across 43 positions, 7 of which recording capital losses (-26 million euro) and 36 capital gains (120 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 September 2009, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, considering netting agreements, of 3,359 million euro (2,524 million euro as at 31 December 2008). The notional value of such derivatives totalled 48,774 million euro (47,076 million euro as at 31 December 2008). Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 1,136 million euro (688 million euro as at 31 December 2008).

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 376 million euro at 30 September 2009 (443 million at 31 December 2008).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 30 September 2009, this led to adjustments of 74 million euro being recorded under profits (losses) on trading in the income statement, compared to 65 million euro as at 31 December 2008, with a negative impact during the period of 9 million euro. Adjustments are recorded, for every single contract, at the market value determined using the risk free curves.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risks include legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

The Group has a centralised function within the Risk Management Department for the management of the Group's operational risks. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current regulations, the Group's individual business units are involved, each assigned responsibilities for the identification, assessment, management and mitigation of its operational risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (collection and structured census of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).

The Group's Internal Model is designed to combine all the main quantitative (internal and external historical loss data) and qualitative information sources (self-assessment: scenario analysis and operational environment assessment). The quantitative component is based on the assessment of historical data on internal and external events (including participation in consortium initiatives such as "Database Italiano Perdite Operative" – Italian Operational Loss Database – managed by the Italian Banking Association and Operational Riskdata eXchange Association).
The qualitative component focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates with the aim of assessing relevant scenarios identified starting from the proprietary risk classification system based on the types of events provided for by the New Capital Accord.
Capital at Risk is therefore identified as the minimum amount at Group level, net of insurance cover, required to bear the maximum potential loss (worst loss); Capital at Risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied on quantitative and qualitative figures with a 1-year holding period, and on a 99.90% confidence level.
The Group has activated a traditional operational risk transfer policy (insurance) with the objective of mitigating the effect of any unexpected losses, therefore helping to reduce the Capital at Risk.
As at the end of September the capital absorption for operational risks was determined with the Traditional Standardised Approach, with an approximate 2.3 billion euro incidence at Group level.

Legal risks

There were no significant changes in legal risks as at the end of September 2009 compared to either the Intesa Sanpaolo Group Annual Report 2008 or the Half-yearly Report, to which reference should be made for the main current disputes.

INSURANCE RISKS

Life business

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

Non-life business

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

ALM and financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling risk-based capital.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Policy is the control and monitoring instrument for market and credit risks.
The Policy defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk on a 1-year holding period.
In order to measure and manage all risks (underwriting and financial), a simulation tool – the Financial Analysis Program (FAP) - is also used with the aim of measuring the intrinsic value, fair value of the liabilities and economic capital. The FAP is based on a dynamic Asset Liability Management (ALM) model and, through this engine, it fully recognises the sensitivity of liabilities to changes in market risk factors and permits an effective management of hedging assets.

Investment portfolios

The investments of the Intesa Sanpaolo Group companies operating in the insurance segment are made with their free capital and to cover contractual obligations with customers. These essentially refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
At 30 September 2009 the investment portfolios of Group companies, recorded at book value, amounted to 46,880 million euro; of these, the share regarding traditional revaluable life policies, non-life policies and free capital (Class C portfolio or portfolio at risk) amounted to 19,344 million euro, while the other component (Class D portfolio or portfolio with total risk retained by the insured) mostly comprised investments related to pension funds, index- and unit-linked policies and totalled 27,536 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "at-risk portfolio".
In terms of breakdown by asset class, net of derivative positions, 94.3% of assets, i.e. approximately 18,354 million euro, were bonds, while assets subject to equity risk represented 4.4% of the total and amounted to 859 million euro. The remaining part (259 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (1.3%).

The fair value of derivatives came to approximately -128 million euro, around -127 million of which in hedging derivatives and close to -1 million in other derivatives.
At the end of the third quarter of 2009, investments of EurizonVita and SudPoloVita free capital amounted to approximately 1,062 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to 25 million euro.
The Modified duration of the bond portfolio, calculated by means of the sensitivity to uniform and parallel variations of the interest rate curve of ±25 basis points, is 5.3 years. The reserves associated to profit contracts have an average modified duration of approximately 4.2 years. The related portfolios of assets have a modified duration of around 4.4 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 bp parallel shift in the curve leads to a decrease of approximately 911 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 120 million euro rise which partly offsets the corresponding loss on the bonds.
The investment portfolio had a high credit rating. AAA/AA bonds represented approximately 76.6% of total investments and A bonds approximately 13.1%. Low investment grade securities (BBB) were approximately 3.8% of the total and the portion of speculative grade or unrated was minimal (approximately 0.8%).
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks represented approximately 75.4% of total investments, while financial companies (mostly banks) contributed to the exposure by almost 11.8% and industrial securities made up approximately 7.1%.
As at the end of the third quarter of 2009, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was -996 million euro, -836 million euro due to government issuers and -160 million euro to corporate issuers (financial and industrial companies).

Accounting policies

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 30 September 2009" has been prepared, in consolidated form, in compliance with art. 154-*ter* of Legislative Decree 58 of 24 February 1998 and in application of the IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission in EC Regulation 1606 of 19 July 2002.

The accounting principles adopted in preparation of the consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group 2008 Annual Report, to which reference should be made for further details.

The Consolidated Interim Statement comprises the condensed Balance sheet and Income statement, accompanied by Explanatory notes to the report on operations. It is prepared in euro as the operating currency. The amounts indicated in the Financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.

The accounting statements are presented in condensed/reclassified format, based on the most appropriate presentation criteria for the captions according to standard operating principles. For the Income statement, the content of captions refers to Bank of Italy instructions laid down in Circular 262/2005, including aggregations/reclassifications recommended in the Circular as follows:
- net interest includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future flows; the time value of employee termination indemnities and provisions for risks and charges;
- profits (losses) on trading records: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting, given the strict connection that has arisen in the markets; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
- the contribution from insurance companies is traditionally recorded in the specific caption "Income from insurance business" rather than line by line;
- administrative expenses are expressed net of recoveries from customers;
- net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
- net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets;
- profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on disposal of investments; conversely net income from investments carried at equity is recorded in a specific caption of net operating income along with dividends;
- merger and restructuring-related charges are recorded in a specific caption net of the tax effect;
- the economic effect of purchase cost allocation, net of the tax effect, is indicated in a specific caption.

For the Balance sheet, in compliance with Circular 262/2005, aggregation has been performed in certain circumstances, i.e.:
- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of hedging derivatives and fair value change of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the aggregation in just one caption of Property and equipment and Intangible assets;
- the aggregation of amounts Due to customers and Securities issued into a single caption;

– the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
– the presentation of Reserves as an aggregate and net of any treasury shares.

With regard to non-current assets held for sale and discontinued operations, the Balance sheet as at 30 September 2009 includes the investment in Findomestic, which is being sold to BNP Paribas Group.

The Income statement as at 30 September 2009 presents, among profits and losses of discontinued operations, net capital gains from disposals completed during the first half of the year. These relate to the disposal of branches under the Duomo and Byron projects (as required by the Antitrust Authority in connection with the acquisition of Carifirenze) and the disposal of the investment in C.R. Orvieto, sold by Cassa di Risparmio di Firenze to Banca Popolare di Bari (*Progetto Duomo*).

As usual, to facilitate comparison, the Balance sheet and Income statement figures as at 31 December 2008 and 30 September 2008, have been restated to take into account the changes in the scope of consolidation – though not of material importance - the Income statement and Balance sheet entries regarding discontinued operations and, lastly, the final effects of purchase price allocation.

Scope of consolidation and consolidation methods

Scope of consolidation

The consolidated Interim statement includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by IFRS – companies operating in sectors dissimilar to that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.

No significant changes have occurred with respect to the position as at 31 December 2008.

We also report on certain extraordinary intragroup transactions carried out in the first nine months of 2009, which as such had no effects on the consolidated income statement; they consisted in transfers of businesses or shareholdings between Intesa Sanpaolo Group companies (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply transferred line by line in the individual statements of the companies involved, without recognition of any economic effect.

As already discussed in the Half-yearly report, the most notable transaction concerned the creation of Intesa Sanpaolo Group Services S.c.p.A. tasked with Group-wide handling of all operations regarding Organisation, Security, Property, Procurement, Operating Services, ITC systems and Contact Unit services. The Parent Company contributions of the related businesses and property assets were completed in April and June.

The other intragroup transactions completed as at 30 September concerned the reorganisation of Banca dei Territori Division, in order to ensure a single brand presence in each area, and the rationalisation of investment portfolios and activities within the Group.

In particular:

– the contribution and transfer of Intesa Sanpaolo branches to Banca di Credito Sardo (the former Banca CIS);
– the contribution of branches from Intesa Sanpaolo to Intesa Sanpaolo Private Banking, Cassa di Risparmio in Bologna, Banca dell'Adriatico, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio di Venezia and Banca di Trento e Bolzano;
– the spin-off of branches from Cassa di Risparmio del Friuli Venezia Giulia and Banco di Napoli to Intesa Sanpaolo Private Banking;
– the transfer of branches from Intesa Sanpaolo to Cassa dei Risparmi di Forlì e della Romagna;
– the contribution (and subsequent transfer of the shareholding to Banca Fideuram) of the financial planners' business from Banca CR Firenze to Sanpaolo Invest and direct transfer of the checking account and ancillary services of financial planners' clients from Banca CR Firenze to Banca Fideuram;
– the transfer of the equity stake held in Centro Vita by Banca CR Firenze (43%) and Cassa di Risparmio di Pistoia (8%) to Intesa Sanpaolo.
– the merger by incorporation of Intesa Distribution International Services S.A. and of CR Firenze Gestion Internationale S.A. into Eurizon Capital S.A.;
– the contribution of Intesa Sanpaolo's investment banking business to Banca IMI;
– the contribution (and subsequent transfer of the equity investment to Intesa Sanpaolo) of Banca CR Firenze's portfolio management business to Eurizon Capital;

- the transfer of equity stakes held in Intesa Sanpaolo Leasing Romania IFN by CIB Leasing LTD (85%) and CIB Credit Ltd (10%) to Intesa Sanpaolo;
- the reverse merger of Neos Banca S.p.A. into Neos Finance S.p.A.;
- the merger by incorporation of Private Equity International S.A. into NHS Investments S.A.

The equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.63%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group 2008 Annual Report to which reference should therefore be made.

The financial statements of the Parent Company and of other companies used to prepare the Interim report as at 30 September 2009 refer to the same date. In certain cases, for subsidiaries which are not material, the latest official figures are used.

Where necessary – and without prejudice to absolutely marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

Other information: non-EU subsidiaries

As already mentioned in the 2008 Annual Report, in accordance with Law 262/2005 governing protection of savings and the regulation of financial markets, Consob established some conditions for the listing of companies with control over non-EU companies (art. 36, Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana has also required that at the time of approval of the Parent company financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Market Regulation are met. Intesa Sanpaolo's declaration to this effect can be found in the 2008 Annual Report.

In this respect, no acquisitions were completed in the third quarter of 2009 concerning companies registered in non-EU countries which, considered independently, are of material significance to the regulations in question.

The Management Board

Turin, 10 November 2009

Declaration of the Manager responsible for preparing the Company's financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Ernesto Riva, hereby declares that the accounting information contained in this Interim Statement as at 30 September 2009 corresponds to corporate records, books and accounts.

Turin, 10 November 2009

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

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Intesa Sanpaolo is the most widespread bank in Italy. Its leadership stems not only from its size but also thanks to its ability to interpret and respond to the needs of the areas in which it is present.
This commitment can be seen in the choice of maintaining and enhancing all the banks in the group, since it is they that allow Intesa Sanpaolo to present itself to the market as a fully-fledged citizen of every place in which it operates.
This is the reason the illustrations chosen for this report have been inspired by the rich cultural wealth of our cities. They show the major fountains of each regional capital and of the head office cities of the Banche dei Territori. It is a tribute to Italian tradition and history. But it is also emblematic of the willingness to communicate and establish relationships that typifies the people of Intesa Sanpaolo and of the banks in the group.

1. Padova
Fountain, Piazza delle Erbe

2. Roma
Fontana delle Tartarughe, Piazza Mattei

3. Firenze
Courtyard fountain, Palazzo Vecchio

4. Venezia
Fountain, Excelsior Palace Hotel

5. Campobasso
Fountain, Piazza Vittorio Emanuele

6. Torino
Fontana angelica delle Quattro Stagioni, Piazza Solferino

7. Genova
Fontana di Nettuno, Palazzo Doria Pamphilj

8. Forlì
Fountain, Piazza Ordelaffi

9. Napoli
Fountain, Capodimonte Gardens

10. Bologna
Fontana del Nettuno, Piazza Maggiore

11. Milano
Fountain, Piazza Fontana

12. Perugia
Fontana Maggiore, Piazza IV Novembre

13. Palermo
Fontana del Tritone, Archaeological Museum

14. Pesaro
Fountain, Piazza Maggiore

15. Bari
Fountain, Piazza Aldo Moro

16. Cagliari
Fontana della passeggiata, Via Roma

17. L'Aquila
Detail of the Fontana delle 99 Cannelle, Piazza San Vito

18. Aosta
Fountain, Via Croce di Città

19. Trieste
Fontana dei Tritoni, Piazza Vittorio Veneto

20. Catanzaro
Fountain, Piazza Santa Caterina

21. Trento
Fontana di Nettuno, Piazza del Duomo

22. Potenza
Fountain, Montereale Park

23. Ancona
Fontana dei Cavalli, Piazza Roma

24. Gorizia
Fountain, Piazza della Vittoria

Credits
1 Photo by Ioannis Schinezos - Padova
2 Fratelli Alinari History of Photography Museum - Malandrini collection, Firenze
3-4-7-9-14-17-21 Archivi Alinari - Alinari archive, Firenze
5 Photo by Giuseppe Terrigno - Campobasso
6 Archivi Alinari - Anderson archive, Firenze
8 Photo by Giorgio Sabatini - Forlì
10 Archivi Alinari, Firenze
11 Touring Club Italiano/Archivi Alinari, Milano
12 Fratelli Alinari History of Photography Museum - Pasta archive, Firenze
13 Fratelli Alinari History of Photography Museum - Blatt collection, Firenze
15 Photo by Umberto Corcelli - Bari
16 Photo by Elisabetta Messina - Cagliari
18 Photo by Filippo Bosio - Aosta
19 Photo by Franco Debernardi - Trieste
20 Photo by Beppe Mazzocca - Catanzaro
22 Photo by Rocco Esposito - Potenza
23 Archivi Alinari - Brogi archive, Firenze
24 Fratelli Alinari History of Photography Museum, Firenze