Interim Statement as at 31 March 2011

This is an English translation of the Italian original "Resoconto intermedio al 31 marzo 2011" 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 certain forward-looking statement, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) 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.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Interim Statement as at 31 March 2011

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

Contents

The Intesa Sanpaolo Group 7

Supervisory Board, Management Board, General Management, Manager responsible for preparing the Company's financial reports and Independent Auditors 11

INTERIM REPORT ON OPERATIONS

Introduction 15

OVERVIEW OF THE FIRST QUARTER 2011
Income statement figures and alternative performance measures 18
Balance sheet figures and alternative performance measures 19
Other alternative performance measures 20
Executive summary 23

QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements
Consolidated balance sheet 34
Consolidated income statement 36
Statement of consolidated comprehensive income 37
Changes in consolidated shareholders' equity 38
Consolidated statement of cash flows 40

Explanatory Notes
Accounting policies 43
Subsequent events 55
Economic results 56
Balance sheet aggregates 66
Breakdown of consolidated results by business area and geographical area 76
Risk management 104
Shareholder base, transactions with related parties and other information 121

Forecast for the year 126

Declaration of the Manager responsible for preparing the Company's financial reports 127

Independent Auditors' Report on the Consolidated financial statements 129

Attachments 133

Contacts 149

Financial calendar 153

THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

BANCA CR FIRENZE · BANCA DELL'ADRIATICO · BANCA DI CREDITO SARDO · BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN

Banca FIDEURAM · BANCA IMI · BIIS BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO · BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ

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 · CARISBO · INTESA SANPAOLO PRIVATE BANKING · MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,723	Intesa Sanpaolo Private Banking	60
	Banca Fideuram	38
	Banca Prossima	17
	Banca CR Firenze	7
	BIIS	5
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	CR del Veneto	480
	CR in Bologna	214
	CR del Friuli Venezia Giulia	144
	CR Venezia	119
	CR di Forlì e della Romagna	115
	Banca di Trento e Bolzano	88
	Banca CR Firenze	47
	Intesa Sanpaolo Private Banking	39
	Banca Fideuram	22
	Banca Prossima	10
	BIIS	3
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
414	Banca CR Firenze	720
	Banca dell'Adriatico	84
	Intesa Sanpaolo Private Banking	22
	Banca Fideuram	21
	Banca Prossima	9
	BIIS	4
	Banco di Napoli	4
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
6	Banco di Napoli	759
	Banca dell'Adriatico	117
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	13
	Banca CR Firenze	12
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
192	Banca di Credito Sardo	95
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Banca Prossima	4
	BIIS	2
	Mediocredito Italiano	1

Figures as at 31 March 2011

Product Companies

CENTROVITA · EurizonVita · INTESA SANPAOLO VITA · SUD POLO VITA

Bancassurance

EurizonCapital

Asset Management

MONETA

Consumer Credit and Payment Systems

LEASINT

Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

NEOS FINANCE

Consumer Credit

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية

BANCA CR FIRENZE ROMANIA

BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN

Banca FIDEURAM

BANCA IMI

BANCA INTESA

BANCA INTESA Beograd

BANKA KOPER

BIIS | BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO

CIB BANK

INTESA SANPAOLO BANK Albania

INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO BANK Romania

INTESA SANPAOLO BANKA Bosna i Hercegovina

INTESA SANPAOLO PRIVATE BANK SUISSE

PRAVEX-BANK

PRIVREDNA BANKA ZAGREB

Société Européenne de Banque

VÚB BANKA

AMERICA

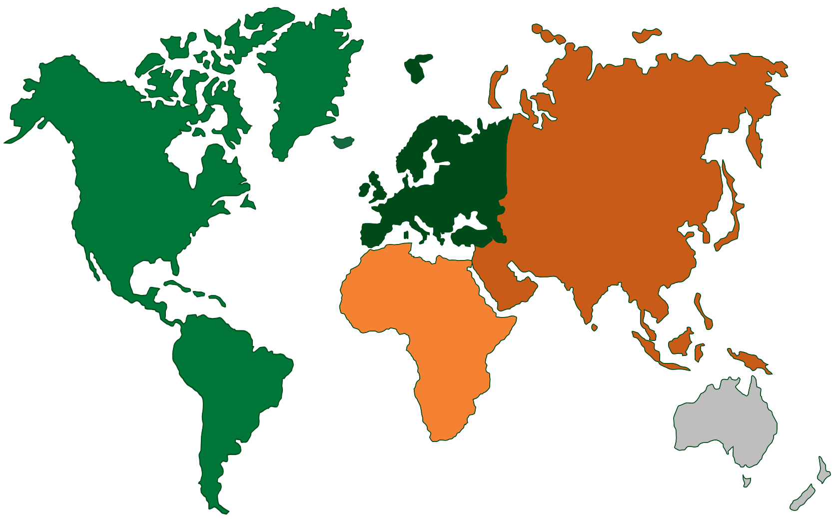
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

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

EUROPE

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



Paese	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	30
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	219
Czech Republic	VUB Banka	1
Greece	Intesa Sanpaolo Bank Albania	1
Hungary	CIB Bank	139
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	77
	Banca CR Firenze Romania	15
Russian Federation	Banca Intesa	78
Serbia	Banca Intesa Beograd	207
Slovakia	VUB Banka	245
Slovenia	Banka Koper	54
Switzerland	Banca Fideuram	1
	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	406
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 31 March 2011
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) Representative offices of Intesa Sanpaolo and Banca IMI
(3) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(4) Representative offices of Intesa Sanpaolo and BIIS
(5) Representative office of BIIS

Product Companies

CONSUMER FINANCE HOLDING · INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

CIB · EurizonCapital S.A. · FIDEURAM Asset Management · PBZ INVEST · VÚB ASSET MANAGEMENT

Asset Managment

CIB LÍZING · INTESA LEASING BEOGRAD · PBZ LEASING · VÚB LEASING

Leasing

EurizonLife

Insurance

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairpersons	Mario BERTOLISSI Elsa FORNERO
Members	Luigi Arturo BIANCHI Rosalba CASIRAGHI Franco DALLA SEGA Gianluca FERRERO Jean-Paul FITOUSSI Pietro GARIBALDI Giulio Stefano LUBATTI Marco MANGIAGALLI Gianni MARCHESINI Fabio PASQUINI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Marco SPADACINI Ferdinando TARGETTI Livio TORIO Riccardo VARALDO

Management Board

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

General Managers	Corrado PASSERA Gaetano MICCICHÈ Marco MORELLI (*)
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	RECONTA ERNST & YOUNG S.p.A.

(*) Deputy to the CEO

Interim report on operations

Introduction

This Interim statement is made up of the interim report on operations and the Quarterly condensed consolidated financial statements, including the financial statements and related explanatory notes.

The Quarterly condensed consolidated financial statements as at 31 March 2011 have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.

In particular, the Quarterly condensed consolidated financial statements, subject to limited review, has been drawn up in compliance with IAS 34 requirements, which regulate interim reports, and shall be included in the Prospectus for the upcoming capital increase for a maximum total amount of 5 billion euro, resolved by Shareholders' Meeting of Intesa Sanpaolo of 10 May 2011.

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

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

OVERVIEW OF THE FIRST QUARTER 2011

Income statement figures and alternative performance measures (°)

Consolidated income statement figures (millions of euro)	31.03.2011	31.03.2010	Changes amount	Changes %
Net interest income	2,396	2,401	-5	-0.2
Net fee and commission income	1,394	1,403	-9	-0.6
Profits (losses) on trading	278	218	60	27.5
Income from insurance business	120	204	-84	-41.2
Operating income	4,206	4,245	-39	-0.9
Operating costs	-2,243	-2,249	-6	-0.3
Operating margin	1,963	1,996	-33	-1.7
Net adjustments to loans	-680	-750	-70	-9.3
Income after tax from discontinued operations	-	28	-28	
Net income	661	688	-27	-3.9

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

	Operating income 31.03.2011	Operating income 31.03.2010	Operating costs 31.03.2011	Operating costs 31.03.2010
Banca dei Territori	2,376	2,522	1,402	1,408
Corporate and Invest. Banking	902	947	220	207
Public Finance	106	75	19	21
International Subsidiary Banks	590	557	286	282
Eurizon Capital	69	66	32	33
Banca Fideuram	198	196	84	84

	Operating margin 31.03.2011	Operating margin 31.03.2010	Net income 31.03.2011	Net income 31.03.2010
Banca dei Territori	974	1,114	258	298
Corporate and Invest. Banking	682	740	387	416
Public Finance	87	54	51	30
International Subsidiary Banks	304	275	86	115
Eurizon Capital	37	33	19	15
Banca Fideuram	114	112	53	48

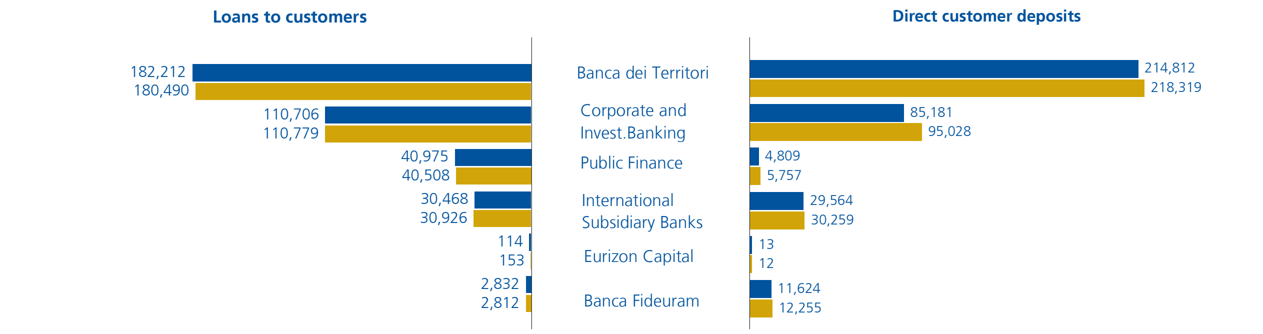
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(°)
31.03.2011
31.03.2010

Balance sheet figures and alternative performance measures (°)

Consolidated balance sheet figures (millions of euro)	31.03.2011	31.12.2010	Changes amount	Changes %
Loans to customers	375,513	377,271	-1,758	-0.5
Direct customer deposits	417,906	425,248	-7,342	-1.7
Indirect customer deposits:	428,223	426,279	1,944	0.5
of which: Assets under management	*233,712*	*233,553*	*159*	*0.1*
Total assets	644,717	656,241	-11,524	-1.8
Shareholders' equity	54,462	53,533	929	1.7

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



Operating structure	**31.03.2011**	**31.12.2010**	**Changes amount**
Number of employees	**101,978**	**101,843**	**135**
Italy	70,519	70,466	53
Abroad	31,459	31,377	82
Number of financial advisors	**4,375**	**4,349**	**26**
Number of branches [(a)]	**7,428**	**7,476**	**-48**
Italy	5,682	5,715	-33
Abroad	1,746	1,761	-15

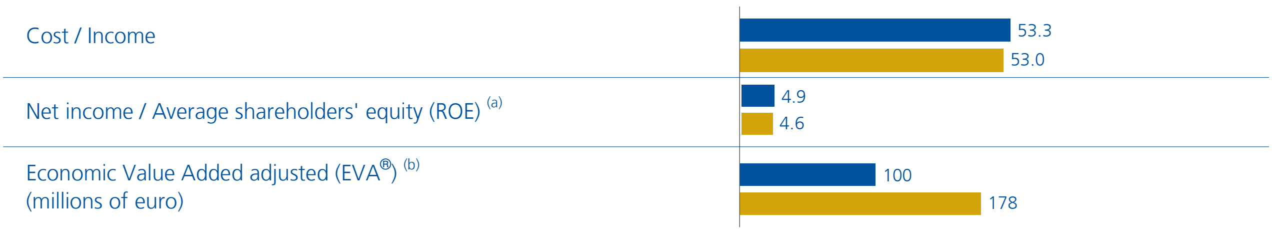
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

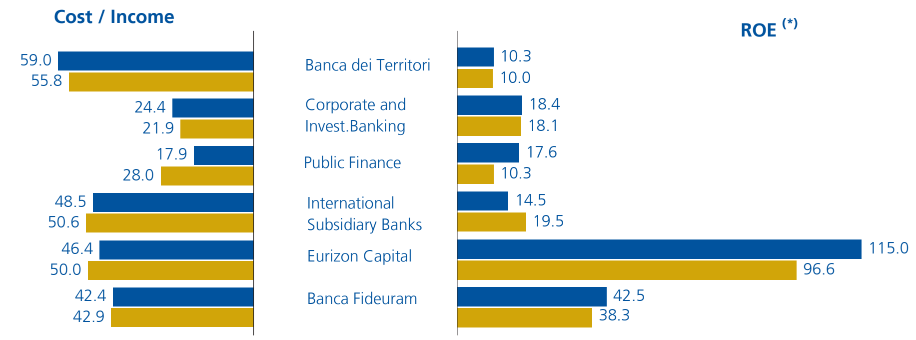
(°)
31.03.2011
31.12.2010

Other alternative performance measures (°)

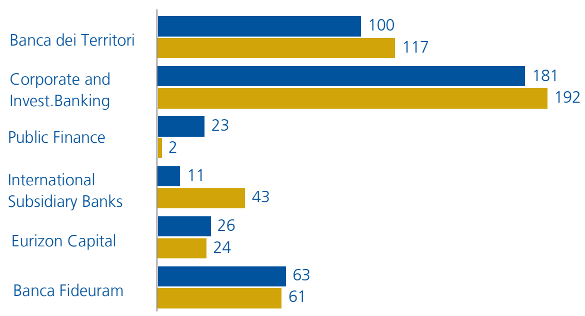
Consolidated profitability ratios (%)



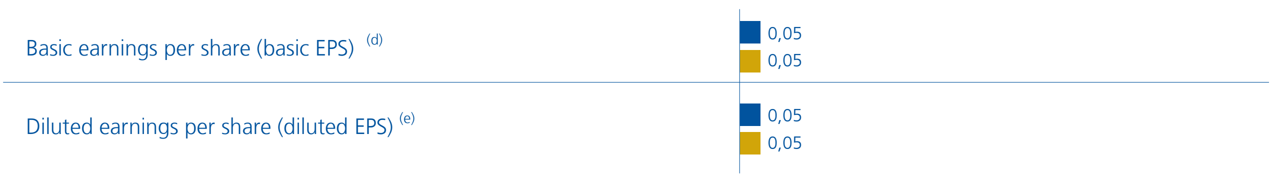
Profitability ratios by business area (%)



Economic Value Added adjusted (EVA®) (b)
(millions of euro)



Earnings per share (euro)



Consolidated risk ratios (%)

	31.03.2011	31.12.2010
Net doubtful loans / Loans to customers	2,0	1,9
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	64,5	64,3

Consolidated capital ratios (%)[f]

	31.03.2011	31.12.2010
Tier 1 capital (e) net of net of ineligible instruments / Risk-weighted assets (Core Tier 1)	8,2	7,9
Tier 1 capital [g] / Risk-weighted assets	9,7	9,4
Total capital [h] / Risk-weighted assets	13,0	13,2
Risk-weighted assets (millions of euro)	332.403	332.158

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

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

[b] The indicator, calculated excluding merger and restructuring-related charges and effect of purchase price allocation as per IFRS 3, 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 and is determined using the Capital Asset Pricing Model.

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

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

[e] Diluted EPS does not include the effects of the planned share capital increase.

[f] Ratios are determined using the methodology set out in the Basel 2 Capital Accord.

[g] 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.

[h] 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.

31.03.2011
31.12.2010

Executive summary

The macroeconomic context

The economy

Global economic activity showed additional expansion in the first quarter of 2011, but in a context of increasing pressure on the prices of raw materials, financial imbalances and uncertainties linked both to the earthquake in Japan and the tax problems in Europe and in the US. It is estimated that international trade grew by over 10% on the same period of 2010.
In the eurozone, business confidence surveys were highly positive for the entire first quarter, to the extent that in March, the industry index was at its highest point since 2007. In February, the rise in industrial production on the same period of 2010 was estimated at +7.3%. Nonetheless, as a result of the varying intensity of the financial crisis and the fiscal restriction in individual countries, economic performance was highly varied, with Greece and Ireland recording a phase of contraction in industrial activities. The increase in energy prices caused a significant increase in inflation, which rose from 2.2% in December to 2.7% in March 2011.
In Italy, the recovery of industrial production in the first quarter of 2011 was also less strong than in the other main European countries. The services sector is thought to have contributed to the overall growth in value added to a greater extent than industry. In the construction sector there was a slight drop in confidence, mainly related to a deterioration in the opinion on building orders and plans. The recovery is starting to positively reflect on employment conditions: in February, the unemployment rate dropped from 8.6% to 8.4%. This decrease is due to both the trend in jobs (+0.1% over the month), and the drop in the workforce. Nonetheless, according to the confidence indicators, the opinion of households seems to still be highly prudent, and the planned spending recorded in the ISTAT survey remains depressed. The weakness of consumer spending could be accentuated by the erosion of the purchasing power of wages: inflation measured on the harmonised European index reached 2.8% in March, driven by sharp increases in energy prices, as in other countries.
The better than expected performance of the European economy and the sharp rise in inflation led the European Central Bank (ECB) to announce in March an increase in official rates, which was then resolved during the meeting in April. Therefore, in the first quarter the rate on main refinancing operations was kept at 1%. The ECB extended for other three months the regime of full allocation on open market operations, which set the availability of eligible assets as the only limit to the disbursement of liquidity and tends to keep the EONIA rate under the level of the refinancing rate. The dependence of certain national banking systems on the ECB remains exceptionally high. The announcement of the change in monetary policy resulted in a net increase in the Euribor rates. The monthly rate rose from 0.81% in December 2010 to 0.90% in March 2011. The increase in the 3-month rate was more marked, from 1.02% to 1.18%. The upwards pressure was also transmitted to the medium and long-term rates, which grew for all maturities. The increase was more significant (over 50 basis points) on maturities from two to four years.

The currency and financial markets

On the currency markets, the Euro steadily appreciated starting from 11 January, reaching 1.4165 US dollars on 31 March. This change reflects the generalised weakness in the US dollar, which dropped an average of 5% compared to the leading currencies. The Yen recorded a sudden appreciation following the earthquake in Tohoku, and then returned to normal levels thanks to coordinated measures implemented by the central banks.
The level of the BTP-Bund spread remained high and volatile for the entire first quarter, affected by the climate of tension regarding the debt of peripheral countries in the eurozone. In any event, the level at 31 March, 147 basis points, is 35 basis points lower than at 31 December and reflects both a temporary improvement in the general climate of confidence following the meetings of the European Council, and the more solid relative position of Italy. The end of the quarter was disturbed by the political crisis in Portugal, which caused risk premiums on the country's public debt to skyrocket and, over just a few weeks, required the outgoing government to request financial support from the IMF and the EU in order to meet the debt deadlines in June. Meanwhile, the programmes already underway for Ireland and Greece have so far failed to calm investors: on the contrary, the very high level of spreads show widespread expectations of a restructuring of Greek debt and doubts about the feasibility of the recovery plan.
On the European corporate bond market, though the first 3 months of the year were affected by many disturbing factors, the period ended with a moderately positive performance, resulting from a tightening of spreads on the cash and derivatives segments. The market was supported by the positive news from companies' quarterly reports and income statement figures, which drove stock indices upwards and reduced volatility. The positive trend also continued in March, though it was interrupted by temporary phases of expansion in spreads and sharp rises in volatility, mainly provoked by uncertainties about the management of sovereign debt in Europe and the expectations of less accommodating monetary policy.
In the investment grade segment, the quarter ended with slightly positive financial statements and a more marked recovery in lower credit ratings, while AAA and AA ratings remained stable. The breakdown by segment shows a slightly improved performance in financial-sector securities as opposed to industrial-sector securities. In the speculative segment, lower credit ratings were favoured (rated CCC & Lower).

The general reduction in risk premium was also reflected in a recovery in the derivatives segment, with a significant tightening of the iTraxx Crossover (near last year's minimums) and good performance of iTraxx Financials, in particular on subordinated derivatives, compared to slight drops (or slight weakness for derivatives with longer terms) in the iTraxx Main.
The international stock markets started the year benefiting from the continued favourable liquidity conditions, the expectation of a stabilisation of the economic recovery and positive profit margins for companies. Stock indices reached their highest levels for the period around mid-February. Subsequently, the growing political instability in North Africa and the resulting rises in oil prices accentuated inflation pressures and the expectations of less accommodating monetary policy in the eurozone. Moreover, the renewed tensions on the sovereign debt market caused a new increase in risk aversion, which provoked a correction in prices, though ending the period at values which remained positive since the start of the year.
During the first quarter of 2011, the S&P 500 index rose by 5.4%. Equally positive performance was achieved by the leading European stock indices: the Euro Stoxx 50 ended the quarter with an increase of +4.2%, while the CAC 40 rose by 4.8% during the period; the performance of the DAX was more modest, with an increase of 1.8%, and the result of the FTSE 100 was substantially unchanged, closing the quarter at +0.2%. The major Asian stock markets showed highly contrasting performances: the Chinese market's SSE Composite Index ended the first quarter up by 4.3%, whereas the Nikkei Index dropped by 4,6% following the events in mid-March. The Italian stock market (FTSE MIB) ended the period with a rise of 7.7%, after reaching a peak of 14.9% on 17 February, since the beginning of the year. Mid-cap companies recorded lower performance than blue chip stock: the Mid Cap index rose by 3.2% and the STAR segment index by 4.2% at the end of March 2011.
The additional rise in prices of raw materials due to both the sustained demand and restrictions on the supply side (the latter mainly resulting from the political upheavals occurring in North Africa, a key region for gas and oil extraction) caused new concerns regarding growth and inflation.

The emerging economies and markets

Though the impact of higher energy costs on growth have been modest so far, in relation to emerging countries, there were increased fears of an oil shock which could substantially block the trend in the global economy, including that in countries with energy-intensive productions.
The increase in inflation, along with the excessive growth in credit and signs of overheating of the economy increased the speed of the restrictive phase of monetary policy in several emerging economies, especially in Asia and Latin America. In China, India, Korea and Vietnam, monetary authorities implemented stricter monetary restrictions. In Central Eastern Europe, Poland even raised interest rates, along with Serbia and Hungary. In Russia, the Central Bank increased the base rate in February, for the first time in two years.
In the main emerging areas, new increases are expected in rates during the year, more marked in Asia and Latin America, where the indications of overheating of the economy are stronger.
Economic data for the first quarter of this year support the most recent estimates of the International Monetary Fund, which foresees growth of 6.5% for emerging countries in 2011, slightly slowing compared to the +7.3% of 2010, but much higher than the growth expected for advanced countries (2.4%).
GDP growth is expected to be particularly strong both in Asia (+8.4% in 2011 according to the International Monetary Fund), driven by exports and internal demand, and in Latin America. The latter region, which is benefiting from the positive performance of exported raw materials markets and significant inflows of foreign capital, was subject to the greatest upwards revision of the estimates of the IMF, which now forecasts growth of 4.7% in the GDP for 2011.
The favourable cycle of raw materials is leading to higher growth than expected also in countries which export gas and oil in the CIS (Commonwealth of Independent States) area, such as in Russia. In Central Eastern Europe, growth has become more widespread, and even Croatia and Romania, still in recession in 2010, are expected to record an increase in real GDP in 2011.
Lastly, in the MENA area (Middle East and North Africa), the negative impact of political-social tensions on economic activity and on international flows (exports, tourism and financial flows) and the high cost of imported raw materials have resulted in a significant deterioration of the outlook for growth in countries such as Egypt and Tunisia, while the increased oil revenues and the economic measures aimed at preventing protests will probably result in stronger expansion in the GDP than previously forecast in countries that export oil, such as Saudi Arabia and Kuwait.
The IMF also forecasts that the average inflation rate in emerging countries will increase to 6.9% in 2011, compared to 6.2% in 2010.
In the first quarter 2011, the MSCI (Morgan Stanley Capital International) composite index of emerging markets remained substantially unchanged (+0.30%), with lower performance than the main indices in advanced countries.
The widespread rises in stock markets in Central Eastern Europe (Bulgaria +23%, Ukraine +21%, Russia +15% and Romania +13%) and certain Asian markets (China +4.3%) were balanced by losses in many markets of the Middle East and Latin America.
In the first few months of 2011, the Authorities of various Latin American countries, including Brazil, Colombia and Peru, intervened to curb the appreciation of their respective currencies on the US dollar. In the CEE and SEE area, the currencies of the Czech Republic, Romania and Hungary, which benefited from the improvement in the economic situation, rose against the Euro, while the Russian rouble, an oil currency, rose against the US dollar.
In the first quarter of 2011, the spreads on sovereign debt expanded significantly in countries in the Middle East which were majorly hit by political unrest, such as Egypt and Tunisia, while spreads decreased in oil countries in the CIS area (Kazakhstan and Russia) and in several countries in Central Eastern Europe, including Ukraine and Hungary, reflecting less external vulnerability.
In relation to the group of emerging economies, concerns regarding the negative impact of the recent political events on growth, the financial position towards the outside and public accounts, resulted in rating cuts in the first few months of 2011 for several MENA countries, including Bahrain, Egypt and Tunisia, while the better than expected economic performance and fiscal management resulted in rating increases in Asia (Indonesia), Latin America (Brazil and Colombia) and Central Eastern Europe (Latvia and Serbia).

The banking system

Rates and spreads

In the first quarter of 2011, there were small upwards adjustments to bank rates, continuing the trend which began in the second half of 2010, in concurrence with the rises in market rates.
Rates on new disbursements of loans to non-financial companies showed very slight changes, remaining at record lows even at their peak levels of mid-2009. There was a more significant increase in average rates on new mortgage loans to households, which rose more than 20 basis points on the last quarter of 2010, also as a result of the recomposition of new mortgages towards fixed-rate mortgages, which increased from 11% of total disbursements in August 2010 to 28% of the total in February 2011.
Rates on new loans to households remained, however, at record lows. Given the very slight changes in rates on new disbursements, the average rate on outstanding loans to households and non-financial companies changed little, moving slightly upwards compared to the quarterly averages, reflecting the increase in rates on short-term loans to non-financial companies. Conversely, rates on overall medium/long-term loans remained substantially stable.
In the first few months of 2011, the average rate on total deposits from customers also continued the trend of the second half of 2010, with slight adjustments upwards which brought it back to the levels of the first quarter of the previous year. While rates on current accounts showed marginal adjustments, rates on current repurchase agreements and bonds increased more markedly, returning to mid-2009 levels.
Considering that the movements in rates were limited, margins on lending and deposit collecting activities remained at low levels. The spread between average current lending and funding rates decreased slightly in the first quarter of 2011 (at quarterly average of 2.09% compared to the average of 2.13% in the last quarter of 2010).
The spread on funding, measured on short-term interest rates, showed a slightly increasing trend, following a temporary interruption in the improvement trend at the end of 2010/beginning of 2011, concurrent with the pause in the increase of interbank rates.
The average mark-down for the first three months of 2011, slightly up on the end of 2010, reached its highest level since March 2009 (mark-down on the 1-month Euribor rose by 2 basis points from an average of 0.47% in the last three months of 2010). The mark-up on the 1-month Euribor increased slightly on average compared to the fourth quarter of 2010, though the trend continues to drop when viewed in a longer time frame (average of 3.23% in the first three months of 2011 compared to 3.19% in the fourth quarter of 2010 and 3.76% in the first quarter of 2010). Given these trends, the short-term spread rose slightly, though remaining at record lows (an average of 3.72% for the first three months of 2011, up by seven basis points on the average for the fourth quarter of 2010).

Loans

At the start of 2011 there was an additional improvement in lending, with a significant rise in loans to non-financial companies and good levels of growth in loans to households. Therefore, in the first three months of the year, total loans to households and businesses reported a significant recovery, achieving increases no longer observed since 2008. The recovery was driven by short-term loans to businesses which, having returned to positive ground only at the end of 2010, recorded a jump in the first few months of 2011, linked to the resumption of the demand for business loans to support production activities. At the same time, though to a more moderate extent, medium/long-term loans to businesses confirmed the recovery which emerged at the end of 2010.
With regard to lending to households, the development of mortgages remained at good levels, though gradually slowing as compared to the maximum levels reached in mid-2010. In comparison with the rest of Europe, the recovery of Italian banks was stronger than the eurozone average, both for loans to households and those to non-financial companies.

Direct deposits

The trend in direct deposits from customers remained weak, with a lower growth rate than that of private sector loans. In the quarter, however, the first signs of possible improvement emerged, in relation to the slowdown caused by the deceleration in the main components during 2010. Current accounts continued to record a decreasing rate correlated with the recomposition of portfolios towards more profitable instruments. However, these may have reached their minimum levels at the start of 2011. Bonds also decreased slightly on average during the quarter, but the trend became positive again in March. In detail, the trend in bonds with maturities of over 2 years, after hitting a low in growth in December 2010, recovered slightly in the first few months of 2011, while the rate of decrease for bonds with maturities under two years seemed to be shrinking. In comparison with the rest of Europe, the growth in funding of Italian banks remained in line with the average growth in the euro area.

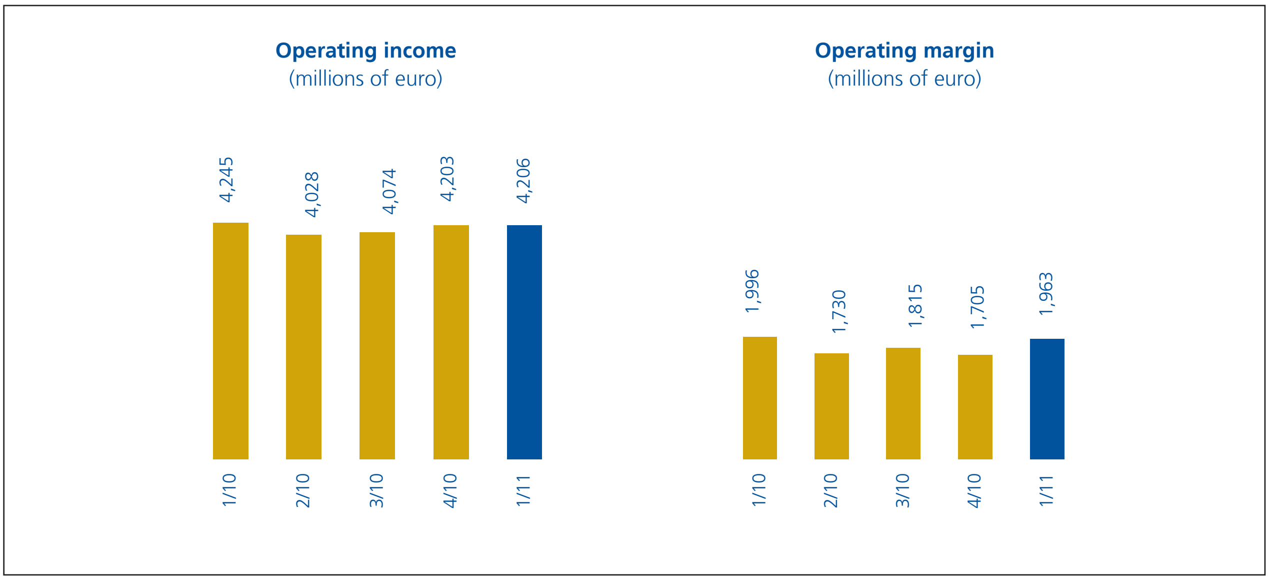
Indirect deposits and asset management

As regards bank indirect deposits, in the first quarter of 2011 the recovery in securities deposits of households, observed in the previous months, continued. In March, securities in custody on behalf of households (debt securities at nominal value, inclusive of bank bonds), showed an additional improvement, reporting the fifth consecutive increase, following thirteen months of negative figures. This trend seems to be attributable to the gradual return of investors to investing in securities following the significant preference for liquidity shown during the crisis. Also for non-financial companies, growth in securities deposits increased on the previous months.
With regard to assets under management, in the first quarter of 2011 the Italian market for open-ended mutual funds confirmed the negative performance already seen in the previous year. Italian mutual funds still reported a negative balance between

subscriptions and redemptions, only partly offset by inflows into foreign funds promoted by Italian groups. The outflows mainly involved less risky products and products with lower expected returns, such as liquidity and bond funds, while balanced and flexible funds recorded modest positive inflows. At the end of March mutual fund assets stood at 450 billion euro, in line with the amounts at the end of December 2010. In the insurance segment, the slowdown in new business in life insurance continued in the first quarter of 2011, both - as in the second half of 2010 – for traditional products and for products with a higher financial component.

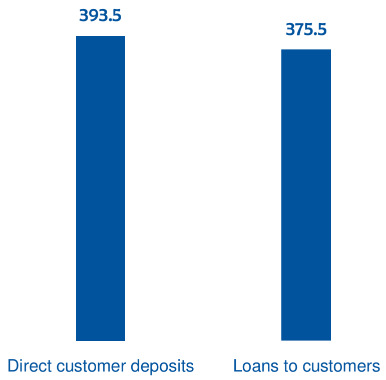
Intesa Sanpaolo in the first three months of 2011

The first three months of 2011 ended with a net income of 661 million euro, down 3.9% on the 688 million euro of the same period of 2010. The reduction was affected by the lack of non-recurring income recorded in March 2010, such as the detaxation of goodwill for several Group banks, which had resulted in a positive impact in terms of lower income taxes for 86 million euro.
Net income for the first quarter of 2011 was 156 million euro higher than the 505 million euro in the fourth quarter of 2010, even though the latter benefited from a significant non-recurring component (255 million euro), resulted from the application of IFRS 3 in the acquisition of control of Intesa Vita.
Operating income, equal to 4,206 million euro, was substantially in line with the 4,245 million euro in the first quarter of 2010. The operating margin, amounting to 1,963 million euro, was 1.7% lower than that in the first quarter of 2010, but higher than the results achieved in the other three quarters of 2010.



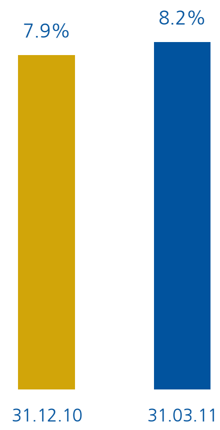
With regard to liquidity, customer deposits, amounting to 393.5 billion euro (net of the liabilities of the insurance segment) were considerably higher than the corresponding loans to customers (375.5 billion euro). The 73% of funding derives from the retail segment and, therefore, is highly stable. Eligible assets with central banks remain at significant levels (around 45 billion euro as at 30 April 2011).
With regard to soundness, regulatory capital ratios are already at suitable levels, with a Core Tier 1 ratio of 8.2% as at 31 March 2011. The upcoming capital increase of 5 billion euro will strengthen this indicator by about 150 bps.

Direct customer deposits [(1)] **/ Loans to customers as at 31.03.2011** (billions of euro)



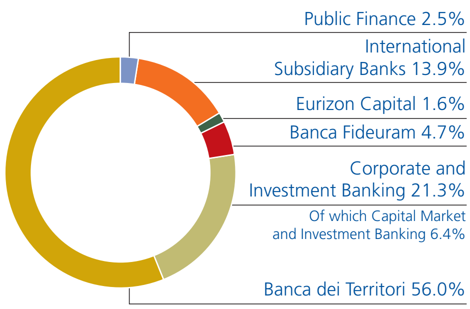
(1) Excluding financial liabilities from insurance business

Core Tier 1 ratio



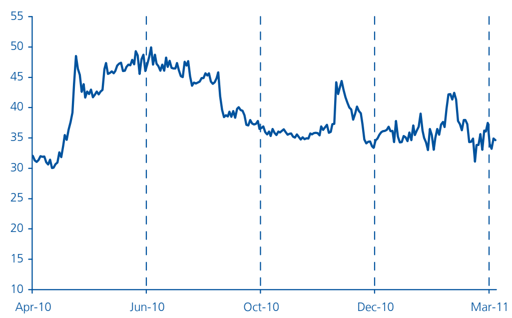
The risk profile remained at modest levels, substantially in line with the values at the end of 2010, consistent with the Group's intention to continue to privilege commercial banking operations.

Operating income: Breakdown by business area [(1)]



(1) Excluding Corporate Centre

Market risks trend: VaR (millions of euro)



At the level of individual economic aggregates, the income statement for the quarter registered 2,396 million euro in net interest income, substantially stable compared to the same period of 2010.
The services segment generated net fee and commission income of 1,394 million euro, down by 0.6% compared to the 1,403 million euro in the first quarter of 2010. Both fees and commissions on banking activities and those relating to financial instrument dealing and management remained at the levels of the first quarter 2010.
Profits on trading amounted to 278 million euro, an increase on the already positive figure recorded as at 31 March 2010 (218 million euro), mainly due to the favourable performance of interest rate transactions.
Income from the insurance business amounted to 120 million euro, down by 41.2% on the same period of 2010, essentially due to the different contribution of the financial component in the two periods.
Operating income amounted to 4,206 million euro as at 31 March 2011, down by 0.9% on the same period of the previous year, mainly in relation to the aforementioned decrease in income from the insurance business.
The Group continues to monitor operating costs carefully and implement ongoing structural cost-containment measures. Operating costs (2,243 million euro) were lower than in all the quarters of 2010, a reduction of 0.3% compared to the first quarter of 2010. Personnel expenses remained at last year's levels (+0.4%) while administrative expenses were down (-2.4%).
The operating margin, amounting to 1,963 million euro, was 1.7% lower than that in the first quarter of 2010, but higher than that of all the other quarters of the previous year.
Adjustments and provisions for risks (710 million euro) were down by 131 million euro overall compared to the same period of the previous year. Specifically, adjustments to loans amounted to 680 million euro, and were affected by the continuing economic

crisis, even though the amount decreased compared to the four quarters of the previous year. Provisions for risks and charges also decreased significantly compared to the same period of the previous year.
Income before tax from continuing operations was 1,267 million euro, up 8.8% compared to the first quarter of 2010.
Taxes on income in the first quarter 2011 amounted to 496 million euro, up 37% compared to the same period of the previous year. Note that the previous year had benefited from the positive effect of 86 million euro deriving from the detaxation of goodwill implemented by several subsidiaries.
Net income for the period, after the recognition of merger and restructuring-related charges of 4 million euro (amount gradually being brought down to nil) and the effects on the income statement of the purchase price allocation for 86 million euro, came to 661 million euro, down by 27 million euro (-3.9%) compared to the first quarter of 2010.

The performance of the balance sheet aggregates highlights the Group's sound financial position. Direct deposits remain at high levels (417.9 billion euro), though falling slightly compared to the figure at December 2010 (-1.7%).
Loans to customers reported a balance of 375.5 billion euro, down by 1.8 billion euro on the end of the previous year.
Indirect deposits (428.2 billion euro) reported growth of 0.5% on 31 December 2010, due to an increase of 0.9% in assets under administration and substantial stability in assets under management.

As for the various business units, Banca dei Territori reported net income of 258 million euro, down by 13.4% compared to the first quarter of 2010 due to the lower contribution of net interest income and income from insurance business, partly offset by lower adjustments to loans; the Corporate and Investment Banking Division ended the quarter with profit of 387 million euro, down by 7% due to the lower profits on trading and commission income, offset by an improvement in the contribution of net interest income and lower adjustments to loans; Public Finance reported profits of 51 million euro, significantly growing compared to the 30 million euro in the first quarter of 2010 thanks to the growth in net interest income and the improvement in the contribution of profits on trading; the International Subsidiary Banks Division ended the quarter with net income of 86 million euro, down by 25.2%, essentially due to an increase in adjustments to loans greater than the improvement in the operating margin.
The asset management segment reported significant growth (net profit of 19 million euro, +26.7%, for Eurizon Capital and net profit of 53 million euro, +10.4%, for Banca Fideuram) as a result of the growth in the contributions from fees and commissions and the containment of operating costs.

Significant events

Highlights in the quarter

As it is known, in June 2010 Intesa Sanpaolo and Crédit Agricole established terms and conditions for Intesa Sanpaolo's sale to the Crédit Agricole Group of the entire stake held through the subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of the capital), and 96 branches of the Group in Italy.
The sale of Cassa di Risparmio della Spezia was finalised at the start of January. An initial tranche of the branches was transferred in the last few days of March: 11 branches of Banca CR Firenze were contributed to Cassa di Risparmio di Parma e Piacenza. The Cariparma shares received on the contribution were recognised at fair value under assets available for sale, as they are planned to be sold during the second quarter of 2011. An additional 85 branches (held by Intesa Sanpaolo and Cassa di Risparmio del Veneto) will be sold during the second quarter.

At the end of February, Intesa Sanpaolo acquired the majority of shares in Banco Emiliano Romagnolo, a mono-branch bank based in Bologna currently under extraordinary administration. The transaction, which was carried out with the approval of the Bank of Italy, entailed the reduction of the bank's share capital by an amount equal to the losses incurred, with a concurrent 26 million euro share capital increase, including share premium of 14 million euro, currently entirely subscribed by Intesa Sanpaolo. Pending the term for the exercise of the option rights by the other shareholders, Intesa Sanpaolo currently owns 52% of the bank's share capital. At the end of October 2010, the direct and indirect customer deposits of Banco Emiliano Romagnolo totalled approximately 235 million euro.
As at 31 March, the investment was consolidated at equity, as it is formally still under extraordinary administration.

The 2011-2013/2015 Business Plan

At the beginning of April the Management Board and the Supervisory Board approved – each within the scope of its competences - the Group's 2011-2013/2015 Business Plan and, as part of that, decided to propose a 5 billion euro capital increase at the Extraordinary Shareholders' Meeting convened for 9-10 May 2011. The proposal for a capital increase is the result of Intesa Sanpaolo's decision to fully comply with immediate effect with what is believed will become the "new normal" for Basel III in terms of both capital – with a Common Equity ratio of about 10% – and liquidity. The Group could have reached a Common Equity ratio of 10% by 2015 using its own resources, by adopting a very conservative dividend policy and very prudent growth. Nonetheless, the Regulatory Authorities and the market are in favour of an accelerated schedule: therefore, Intesa Sanpaolo decided that it was better to promptly take action, taking advantage of the presentation of the new Business Plan, to eliminate uncertainty and to ensure itself a position of strength in order to built its future with confidence and ensure that all stakeholders benefit from the resulting advantages. This decision is aimed at strengthening the Group's capital base and balance sheet and developing its strategy and hence, will reinforce value creation generated by strategies and action plans being carried out to face a future that is still uncertain but with many opportunities which Intesa Sanpaolo is equipped to seize when the occasion arises.

The new Business Plan of Intesa Sanpaolo sets forth 2013 targets which are based on moderate macro-economic growth assumptions and include well-defined management actions (150 projects) and 2015 projections which only assume a development

of the 2014-2015 macroeconomic scenario, with a gradual return to normality, to show the full results of the projects undertaken during the 2011-2013 period, but without including new management actions, which will be considered at a later stage. Only some effects of the capital increase are included, and extraordinary transactions (disposals, listings, acquisitions, etc.) are not considered which, if necessary, must be taken into consideration on a case-by-case basis.
The "formula" of the Plan can be summarised as: Highly sustainable revenues, Growing productivity and Strong costs discipline + Low risk profile + High liquidity + Stronger capital base = Solid value creation for all stakeholders, which results in the following targets for the key financial indicators, with a pro-forma 2011Common Equity ratio[1] of around 10%:
– Operating income: 19.6 billion euro in 2013; 21.7 billion euro in 2015;
– Operating costs: 9.2 billion euro in 2013; 9.3 billion euro in 2015;
– Cost/income ratio: 46.7% in 2013; 43.0% in 2015;
– Net income: 4.2 billion euro in 2013; 5.6 billion euro in 2015;
– Adjusted net income[2]: 4.7 billion euro in 2013; 5.9 billion euro in 2015;
– Distribution as dividends of profits exceeding 10% of the Common Equity ratio and which are not needed for organic growth greater than the Plan assumptions: cumulative 5.3 billion euro in the period 2011-2013; cumulative 13.5 billion euro in the period 2011-2015;
– Net adjustments/Loans: 61 basis points in 2013; 56 basis points in 2015;
– Net non-performing loans[3]/Loans: 4.0% in 2013; 3.8% in 2015;
– Adjusted ROTE [4]: 12.6% in 2013; 14.7% in 2015;
– Adjusted ROTA [5]: 66 basis points in 2013; 77 basis points in 2015;
– Leverage[6]: 19.0x both in 2013 and in 2015.

More specifically, the targets identified are as follows:
– sustainable revenue growth which may be exceeded taking into account that the increase in operating income is based on about 75 projects for growth, investments of approximately 1.5 billion euro, growth-related expenses of about 720 million euro and over 5,000 full time equivalent (FTE) staff added to customer-facing roles, as well as a conservative economic scenario;
– productivity growth with some reserves available, considering that the improvement in the cost/income ratio is based on around 55 productivity and HR projects, investments of about 800 million euro, interventions in at least 1,000 branches, about 8,000 FTE positions released from administrative tasks both at central structures and in local offices, of which about 5,000 reassigned to customer-facing roles, as well as cost savings of about 770 million euro, in addition to over 500 million euro in recovery through automatic mechanisms and inflation;
– a low risk profile, with some room for greater "aggressiveness" over the Plan period, considering about 20 projects for controlling/optimising risks;
– high liquidity levels, maintaining a prudent position and keeping parameters at the top market levels in terms of both short and medium/long-term, also thanks to 6 liquidity optimisation projects;
– further strengthening of the capital base which enables the Group to be fully compliant with Basel III "new normal" with immediate effect, thanks to the planned capital increase of 5 billion euro and 8 projects for a stronger capital base. It is noted that the Intesa Sanpaolo Group is already compliant with current Basel III requirements (7% Common Equity ratio). Moving the full compliance with the "new normality" of Basel III to today – in terms of both capital and liquidity – through the capital increase gives Intesa Sanpaolo a number of highly significant advantages, such as: substantial economic and financial advantages; greater growth opportunities; greater strategic flexibility; stronger dividend flows; greater resilience to exogenous shocks of any nature.

The strategies which have aided Intesa Sanpaolo in successfully integrating the various companies and coming through the crisis are evolving in the new Plan, while respecting the Group's identity. The emphasis now shifts from managing the merger to driving growth. The strategic choices are confirmed, while continuing to evolve. Intesa Sanpaolo remains: a Bank for the real economy, with the contribution of revenues from proprietary trading of less than 1%; a Bank with sustainable profitability, in which operational performance, risk profile, liquidity and solidity/leverage are well-balanced; a Bank focused on some core countries, first of all Italy; a Bank that promotes and implements innovation at every level; a Bank with a distinctive identity and reputation, also committed to contributing to the growth and development of the economy and society. The organisational model is also confirmed, both at Group level (non-matrix divisional model) and for the Banca dei Territori. Nonetheless, the effectiveness and efficiency of the model is to be improved by sharing responsibilities among staff and businesses, refining the control system, gradually delegating powers to the local areas, simplifying the decision-making procedures, simplifying the company and rationalising the branch network.

The new Intesa Sanpaolo Business Plan is based on a highly concrete action plan, designed for minimal execution risk. In particular, the Plan includes an investment programme to promote growth and productivity – in addition to the multiple projects and the over 4 billion euro in investments made in the last four years, which are starting to deliver their full potential – amounting to approximately 4 billion euro in the three-year period 2011-2013. More specifically, the Plan includes in-depth structural measures to increase productivity, with cost savings of around 770 million euro in the 2011-2013 three-year period, in addition to the recovery of inflation and automatic mechanisms for more than 500 million euro, including: efficient management of turnover and reassignment of resources, branch network rationalisation and distribution channel optimisation, completion of the centralisation of procurement activities and simplification projects ("Banca Semplice").

[1] Pro-forma data consistent with the scope of the 2011-2013/2015 Business Plan (sale of Cassa di Risparmio della Spezia and 96 branches to the Crédit Agricole Group). Banca Monte di Parma not included.
[2] Before merger and restructuring-related charges and amortisation of the cost of the merger.
[3] Doubtful loans, substandard loans and past due loans (excluding restructured loans).
[4] Net income before merger and restructuring-related charges and amortisation of the cost of the merger/Tangible shareholders' equity excluding Net income and Minority interests.
[5] Net income before merger and restructuring-related charges and amortisation of the cost of the merger/Total tangible assets.
[6] Total tangible assets/Tangible shareholders' equity excluding Net income and Minority interests.

Regarding growth projects, the Plan indicates sustainable revenue growth across all business areas through growth in volumes, both of customer loans and deposits, with a 2010-2013 CAGR equal to 4.6% and 3.5%, respectively, for the Group, and the forecast of "dedicated" investments and costs to sustain growth, for 1.5 billion euro and an additional 720 million euro in the 2011-2013 period, respectively.
Projects are also planned for the promotion of human resources: for the implementation and success of the Plan, the quality of personnel will be essential, their ability to share and pursue company targets with conviction and perceive the Group as a common interest to be supported and developed. Talks with the trade unions will also be necessary at different levels, to oversee the reorganisation through the employee re-deployment, careful and prudent turnover management, control of personnel expenses, the effectiveness and quality of work in order to ensure adequate levels of profitability, productivity and employment. The negotiations will be focused on flexibility and a better utilisation of structures. The necessary coherence and strict correlation between Group's economic performance and the salary variability must take the form of a performance bonus - even multi-annual – using profitability and productivity indicators.
In terms of projects for risk control/optimisation, the stock of net non-performing loans (past due, substandard and doubtful loans) will be reduced from 17.9 billion euro in pro-forma 2010 to 17.1 billion euro in 2013, with a ratio to net loans decreasing from 4.8% to 4.0%. This will be achieved through actions concerning: credit strategies and granting process, non-performing loans monitoring and collections, actions for optimising management of market, operational and compliance risk, as well as initiatives covering different types of risk.
For 2011-2013, the Plan provides for a conservative liquidity management, through strategic liquidity allocation and funding diversification. In terms of operational indicators, customer deposits in 2013 are expected to outweigh customer loans, as in pro-forma 2010. The short term gap in 2013 is set to remain above 1, as in pro-forma 2010. The net interbank position in 2013 is expected to remain negative for no more than the approximately 10 billion euro recorded at the end of pro-forma 2010. The net stable funding ratio is expected to be higher than 100%, as in pro-forma 2010.
Projects are also planned for strengthening the capital base: the Plan sets a pro-forma 2010 Common Equity ratio of 9.4% (of which 7.1% considering the disposals/acquisitions being finalised and the expected absorption of deferred taxes before the full phasing-in of Basel III, 1.6% generated by the 5 billion euro capital increase and 0.7% contributed by actions for optimising capital sources and requirements envisaged by the Plan). The latter will rise, taking into account the business trend in the 2011-2013 period, in terms of increase in risk-weighted assets (RWA) and retained earnings, to around 10% by pro-forma 2011 and 10% by both pro-forma 2013 and pro-forma 2015.

The capital increase

As previously indicated, the Extraordinary Shareholders' Meeting on 10 May 2011 resolved a share capital increase for consideration, for a total maximum amount of 5 billion euro, including share premium, to be executed within 31 December 2011, in divisible form, through the issuance of book entry ordinary shares with a nominal value of 0.52 euro each, carrying regular rights, to be offered with pre-emptive rights to the shareholders holding ordinary shares and owners/holders of the Company's savings shares, pursuant to article 2441, paragraph 1, 2 and 3 of the Italian Civil Code. The issue price (including share premium) of the new ordinary shares and, consequently, the maximum number of ordinary shares to be issued and the ratio of the new shares to be offered through pre-emptive rights shall be determined by the Management Board close to the launch of the rights issue, in accordance with market practices.
The share capital increase is aimed at strengthening the capitalisation of the Intesa Sanpaolo Group, while providing the Group with the opportunity to achieve favourable positioning on the market and exploit opportunities deriving from future economic growth.
As mentioned, by consolidating its capital profile, the Intesa Sanpaolo Group will also strengthen its competitive position in the domestic and European financial markets. Moreover, due to the availability of adequate capital resources, the Intesa Sanpaolo Group will be able to further increase its penetration in its reference markets, finance internal growth and provide greater flexibility in strategy and pay out policies. The share capital increase will also provide flexibility in managing existing Tier 1 and Lower Tier 2 regulatory capital instruments.
Subordinate to the issue of the necessary authorisations by the competent authorities, it is expected that the rights issue will be completed by July 2011.

Information on relations with related parties

Relations with related parties continued to be monitored attentively in the first quarter of 2011.
In this regard, we note the transfer of assets to the Crédit Agricole Group, described above, partly finalised in the first quarter, which is classified as a transaction with a related party, as the Intesa Sanpaolo Group's rules have extended the preliminary and decision-making process for related-party transactions, on a self-regulation basis, to shareholders holding more than 2% of the Bank's capital with voting rights. In addition to the above, and that described in the specific chapter of the Explanatory Notes, no situations emerged in the quarter other than those typical of standard bank relations with individual and corporate customers. The transactions were entered into at market conditions, and, in any event, were based on valuations of mutual convenience, in line with the internal procedures defined for this purpose.

QUARTERLY CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		31.03.2011	31.12.2010	Changes	
				amount	%
10.	Cash and cash equivalents	5,435	4,758	677	14.2
20.	Financial assets held for trading	61,094	71,899	-10,805	-15.0
30.	Financial assets designated at fair value through profit and loss	36,348	35,549	799	2.2
40.	Financial assets available for sale	64,695	61,612	3,083	5.0
50.	Investments held to maturity	3,001	3,839	-838	-21.8
60.	Due from banks	41,531	42,737	-1,206	-2.8
70.	Loans to customers	375,513	379,235	-3,722	-1.0
80.	Hedging derivatives	5,402	7,377	-1,975	-26.8
90.	Fair value change of financial assets in hedged portfolios (+/-)	42	92	-50	-54.3
100.	Investments in associates and companies subject to joint control	2,817	2,716	101	3.7
110.	Technical insurance reserves reassured with third parties	26	27	-1	-3.7
120.	Property and equipment	5,397	5,455	-58	-1.1
130.	Intangible assets	25,593	25,990	-397	-1.5
	of which				
	- goodwill	*19,013*	*19,217*	*-204*	*-1.1*
140.	Tax assets	8,027	8,733	-706	-8.1
	a) current	*2,283*	*2,759*	*-476*	*-17.3*
	b) deferred	*5,744*	*5,974*	*-230*	*-3.9*
150.	Non-current assets held for sale and discontinued operations	35	75	-40	-53.3
160.	Other assets	9,761	8,663	1,098	12.7
Total Assets		**644,717**	**658,757**	**-14,040**	**-2.1**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.03.2011	31.12.2010	Changes	
				amount	%
10.	Due to banks	50,474	52,860	-2,386	-4.5
20.	Due to customers	210,296	221,064	-10,768	-4.9
30.	Securities issued	182,409	179,983	2,426	1.3
40.	Financial liabilities held for trading	37,435	45,045	-7,610	-16.9
50.	Financial liabilities designated at fair value through profit and loss	25,201	26,144	-943	-3.6
60.	Hedging derivatives	5,528	5,884	-356	-6.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	699	1,412	-713	-50.5
80.	Tax liabilities	3,329	3,269	60	1.8
	a) current	*716*	*661*	*55*	*8.3*
	b) deferred	*2,613*	*2,608*	*5*	*0.2*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	17,449	13,658	3,791	27.8
110.	Employee termination indemnities	1,358	1,370	-12	-0.9
120.	Allowances for risks and charges	3,180	3,280	-100	-3.0
	a) post employment benefits	*375*	*374*	*1*	*0.3*
	b) other allowances	*2,805*	*2,906*	*-101*	*-3.5*
130.	Technical reserves	51,896	50,188	1,708	3.4
140.	Valuation reserves	-766	-1,054	-288	-27.3
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	14,831	12,143	2,688	22.1
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-13	-10	3	30.0
210.	Minority interests (+/-)	1,001	1,067	-66	-6.2
220.	Net income (loss)	661	2,705	-2,044	-75.6
Total Liabilities and Shareholders' Equity		**644,717**	**658,757**	**-14,040**	**-2.1**

Consolidated income statement

(millions of euro)

	First quarter 2011	First quarter 2010	Changes amount	Changes %
10. Interest and similar income	4,544	4,331	213	4.9
20. Interest and similar expense	-1,764	-1,774	-10	-0.6
30. Interest margin	**2,780**	**2,557**	**223**	**8.7**
40. Fee and commission income	1,558	1,593	-35	-2.2
50. Fee and commission expense	-303	-292	11	3.8
60. Net fee and commission income	**1,255**	**1,301**	**-46**	**-3.5**
70. Dividend and similar income	36	18	18	
80. Profits (Losses) on trading	259	246	13	5.3
90. Fair value adjustments in hedge accounting	-19	-30	-11	-36.7
100. Profits (Losses) on disposal or repurchase of	12	94	-82	-87.2
a) loans	*14*	*2*	*12*	
b) financial assets available for sale	*-2*	*79*	*-81*	
c) investments held to maturity	-	*7*	*-7*	
d) financial liabilities	-	*6*	*-6*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	-126	95	-221	
120. Net interest and other banking income	**4,197**	**4,281**	**-84**	**-2.0**
130. Net losses / recoveries on impairment	-627	-698	-71	-10.2
a) loans	*-613*	*-695*	*-82*	*-11.8*
b) financial assets available for sale	*-18*	*-6*	*12*	
c) investments held to maturity	-	-	-	
d) other financial activities	*4*	*3*	*1*	*33.3*
140. Net income from banking activities	**3,570**	**3,583**	**-13**	**-0.4**
150. Net insurance premiums	3,431	2,184	1,247	57.1
160. Other net insurance income (expense)	-3,494	-2,310	1,184	51.3
170. Net income from banking and insurance activities	**3,507**	**3,457**	**50**	**1.4**
180. Administrative expenses	-2,233	-2,255	-22	-1.0
a) personnel expenses	*-1,396*	*-1,404*	*-8*	*-0.6*
b) other administrative expenses	*-837*	*-851*	*-14*	*-1.6*
190. Net provisions for risks and charges	-19	-93	-74	-79.6
200. Net adjustments to / recoveries on property and equipment	-91	-92	-1	-1.1
210. Net adjustments to / recoveries on intangible assets	-172	-177	-5	-2.8
220. Other operating expenses (income)	123	135	-12	-8.9
230. Operating expenses	**-2,392**	**-2,482**	**-90**	**-3.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	-22	7	-29	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	43	4	39	
280. Income (Loss) before tax from continuing operations	**1,136**	**986**	**150**	**15.2**
290. Taxes on income from continuing operations	-455	-304	151	49.7
300. Income (Loss) after tax from continuing operations	**681**	**682**	**-1**	**-0.1**
310. Income (Loss) after tax from discontinued operations	-	28	-28	
320. Net income (loss)	**681**	**710**	**-29**	**-4.1**
330. Minority interests	-20	-22	-2	-9.1
340. Parent Company's net income (loss)	**661**	**688**	**-27**	**-3.9**
Basic EPS - Euro	**0.05**	**0.05**		
Diluted EPS - Euro	**0.05**	**0.05**		

Statement of consolidated comprehensive income

(millions of euro)

		First quarter 2011	First quarter 2010	Changes amount	Changes %
10.	**NET INCOME (LOSS)**	**681**	**710**	**-29**	**-4.1**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	122	61	61	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	223	-129	352	
70.	Foreign exchange differences	-61	142	-203	
80.	Non-current assets held for sale	-	-	-	
90.	Actuarial gains (losses) on defined benefit plans	-	-	-	
100.	Share of valuation reserves connected with investments carried at equity	-6	25	-31	
110.	**Total other comprehensive income (net of tax)**	**278**	**99**	**179**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**959**	**809**	**150**	**18.5**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**10**	**30**	**-20**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**949**	**779**	**170**	

Changes in consolidated shareholders' equity as at 31 March 2011

(millions of euro)

	31.03.2011											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2011	**6,600**	**488**	**33,227**	**12,465**	**99**	**-1,045**	**-**	**-10**	**2,776**	**54,600**	*53,533*	*1,067*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [a]												
Reserves	**-**	**-**	**-**	**2,765**	**-**				**-2,765**	**-**	*-*	*-*
Dividends and other allocations									**-11**	**-11**	*-*	*-11*
CHANGES IN THE PERIOD												
Changes in reserves				**-42**	**-**	**-**				**-42**	*-17*	*-25*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			-		**-**	*-*	*-*
Purchase of treasury shares	-	-		-				-3		**-3**	*-3*	*-*
Extraordinary dividends				-	-					**-**	*-*	*-*
Changes in equity instruments							-			**-**	*-*	*-*
Derivatives on treasury shares					-					**-**	*-*	*-*
Stock options					-					**-**	*-*	*-*
Other	-30	-	-10	-	-					-40	*-*	*-40*
Total comprehensive income for the period						**278**			**681**	**959**	*949*	*10*
SHAREHOLDERS' EQUITY AS AT 31.03.2011	**6,570**	**488**	**33,217**	**15,188**	**99**	**-767**	**-**	**-13**	**681**	**55,463**	*54,462*	*1,001*
- Group	**6,162**	**485**	**33,102**	**14,732**	**99**	**-766**	**-**	**-13**	**661**	**54,462**		
- minority interests	**408**	**3**	**115**	**456**	**-**	**-1**	**-**	**-**	**20**	**1,001**		

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

Changes in consolidated shareholders' equity as at 31 March 2010

(millions of euro)

	31.03.2010											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2010	**6,574**	**488**	**33,235**	**10,863**	**100**	**-419**	**-**	**-8**	**2,938**	**53,771**	*52,681*	*1,090*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves	**-**	**-**	**-**	**2,917**	**-**				**-2,917**	**-**	*-*	*-*
Dividends and other allocations									**-21**	**-21**	*-*	*-21*
CHANGES IN THE PERIOD												
Changes in reserves				**-74**	**-11**	**-**				**-85**	*-103*	*18*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			-		**-**	*-*	*-*
Purchase of treasury shares			-	-				-3		**-3**	*-3*	*-*
Extraordinary dividends				-	-					**-**	*-*	*-*
Changes in equity instruments							-			**-**	*-*	*-*
Derivatives on treasury shares					-					**-**	*-*	*-*
Stock options				-	-					**-**	*-*	*-*
Other	-33		-7		-					**-40**	*-*	*-40*
Total comprehensive income for the period						**99**			**710**	**809**	*779*	*30*
SHAREHOLDERS' EQUITY AS AT 31.03.2010	**6,541**	**488**	**33,228**	**13,706**	**89**	**-320**	**-**	**-11**	**710**	**54,431**	*53,354*	*1,077*
- Group	**6,162**	**485**	**33,102**	**13,178**	**89**	**-339**	**-**	**-11**	**688**	**53,354**		
- minority interests	**379**	**3**	**126**	**528**	**-**	**19**	**-**	**-**	**22**	**1,077**		

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

Consolidated statement of cash flows

(millions of euro)

	31.03.2011	31.03.2010
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**3,789**	**2,589**
- net income (+/-)	681	710
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	39	-45
- gains/losses on hedging activities (-/+)	19	30
- net losses/recoveries on impairment (+/-)	809	891
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	263	269
- net provisions for risks and charges and other costs/revenues (+/-)	43	129
- net insurance premiums to be collected (-)	-	-17
- other insurance revenues/charges to be collected (-/+)	2,094	1,318
- taxes and duties to be settled (+)	102	-166
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-261	-530
2. Cash flow from / used in financial assets	**10,397**	**-20,008**
- financial assets held for trading	11,085	-12,760
- financial assets designated at fair value through profit and loss	-1,051	-712
- financial assets available for sale	-2,928	-3,303
- due from banks: repayable on demand	168	-544
- due from banks: other	875	-5,167
- loans to customers	950	3,442
- other assets	1,298	-964
3. Cash flow from / used in financial liabilities	**-14,273**	**15,950**
- due to banks: repayable on demand	-317	214
- due to banks: other	-1,694	892
- due to customers	-9,067	4,252
- securities issued	2,668	3,666
- financial liabilities held for trading	-7,632	5,985
- financial liabilities designated at fair value through profit and loss	-817	-1,268
- other liabilities	2,586	2,209
Net cash flow from (used in) operating activities	**-87**	**-1,469**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,167**	**226**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	-	-
- sales/reimbursements of investments held to maturity	838	226
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	329	-
2. Cash flow used in	**-384**	**-42**
- purchases of investments in associates and companies subject to joint control	-110	-
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-92	-9
- purchases of intangible assets	-182	-33
- purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**783**	**184**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-3	-3
- share capital increases	-	-
- dividend distribution and other	-11	-21
Net cash flow from (used in) financing activities	**-14**	**-24**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**682**	**-1,309**
RECONCILIATION		
Cash and cash equivalents at beginning of period	4,758	8,412
Net increase (decrease) in cash and cash equivalents	682	-1,309
Cash and cash equivalents: foreign exchange effect	-5	18
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,435**	**7,121**

LEGEND: (+) from (–) used in

EXPLANATORY NOTES

Accounting policies

General preparation principles

The Quarterly condensed consolidated financial statements as at 31 March 2011 have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
In particular, the Quarterly condensed consolidated financial statements, subject to limited review, have been drawn up in compliance with IAS 34 requirements, which regulate interim financial reporting, and shall be included in the Offering circular for the upcoming capital increase for a maximum total amount of 5 billion euro, resolved by Shareholders' Meeting of Intesa Sanpaolo of 10 May 2011.
Compared to the usual contents of the quarterly report, the financial statement schedules set out by the Bank of Italy were added, along with the list of subsidiaries and information on related party transactions.

The following Regulations were endorsed by the European Commission in 2010 and first quarter 2011, applicable from 2011:
- Regulation 574/2010 – Amendments to IFRS 1 and IFRS 7;
- Regulation 632/2010 – IAS 24: Related party disclosures;
- Regulation 633/2010 – IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction;
- Regulation 662/2010 – IFRIC 19: Extinguishing financial liabilities with equity instruments;
- Regulation 149/2011 – Improvements to the IAS/IFRS.

In particular, with Regulation 632, the European Commission endorsed the updated version of IAS 24 – Related party disclosures. The text of the new standard modifies the definition of "related party": it lists the cases in which a person/entity may be considered as a "related party" of the reporting entity.
The new version of the standard – effective from 1 January 2011 – specifies that even the subsidiaries of associated companies must be considered as related parties.
The other community regulation endorsements of international accounting standards during the period in question did not impact preparation of the Quarterly condensed consolidated financial statements.

The accounting policies adopted in the preparation of the Quarterly condensed consolidated financial statements, for classification, recognition, measurement and derecognition of asset and liability captions, and the means of recognition of revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group's Annual report 2010, to which, therefore, reference must be made.
Preparation of the Quarterly condensed consolidated financial statements requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the Annual report 2010 for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed completely at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indications which require the immediate valuation of losses.

The Quarterly condensed consolidated financial statements, prepared in euro as the functional currency, prepared in simplified form as permitted by IAS 34, are made up of the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes to the report on operations. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the Financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The Balance sheet as at 31 March 2011 solely includes a few real-estate assets due for imminent disposal under non-current assets held for sale and discontinued operations.
The Income statement as at 31 March 2011, on the other hand, does not contain any profits or losses on discontinued operations. The comparative income statement figures for the period ended 31 March 2010 – not published originally in accordance with the scheme set out by the Bank of Italy, as the quarterly interim report is generally compliant with the provisions of article 154-ter of Legislative Decree 58/1998 – did not require restatements.

As usual, condensed reclassified income statements have been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, first quarter 2011 and 2010 figures are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation. The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively.

The Interim report as at 31 March 2011 is complemented by the declaration of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance.

Scope of consolidation and consolidation methods

Scope of consolidation

The Condensed financial statements as at 31 March 2011 include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Compared to the situation as at 31 December 2010, the most significant change is the sale to Crédit Agricole of the stake in Cassa di Risparmio della Spezia.
During the first quarter, Intesa Sanpaolo also acquired the majority of shares in Banco Emiliano Romagnolo, a mono-branch bank based in Bologna, under extraordinary administration. As at 31 March, the company was consolidated at equity, as it is formally still under extraordinary administration.

Certain extraordinary intragroup transactions carried out during first quarter, which as such had no effects on the consolidated figures, are also reported; they consisted in transfers of businesses or shareholdings between CIB Group companies. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded line-by-line in the individual statements of the companies involved, without recognition of any economic effect.

As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.5%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual report 2010 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 31 March 2011 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and only in cases of marginal relevance – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Quarterly condensed consolidated financial statements as at 31 March 2011.

Name	Registered office	Type of relation-ship (a)	Investment direct ownership	Investment % held	Votes available % (b)
A. CONSOLIDATED COMPANIES					
Parent Company					
Intesa Sanpaolo S.p.A. Capital Euro 6,646,547,922.56 in shares of Euro 0.52	Torino				
A. 1 Companies subject to full consolidation					
1 Adriano Finance S.r.l. (c) Capital Euro 15,000	Roma	4	Intesa Sanpaolo	5.00	
2 Adriano Finance 2 S.r.l. (c) Capital Euro 10,000	Milano	4	Intesa Sanpaolo	5.00	
3 Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.42	
4 B.I. Private Equity Ltd Capital Euro 100,000	Dublin	1	Private Equity International	100.00	
5 Banca C.R. Firenze Romania S.A. Capital RON 43,087,365	Bucharest	1	Cassa di Risparmio di Firenze	88.47	
6 Banca dell'Adriatico S.p.A. Capital Euro 272,652,000	Pesaro	1	Intesa Sanpaolo	100.00	
7 Banca di Credito Sardo S.p.A. Capital Euro 258,276,569.35	Cagliari	1	Intesa Sanpaolo	100.00	
8 Banca di Trento e Bolzano S.p.A. (e) Capital Euro 65,915,704.40	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	23.33 54.33 77.66	
9 Banca Fideuram S.p.A. Capital Euro 186,255,207.16	Roma	1	Intesa Sanpaolo	100.00	
10 Banca IMI S.p.A. Capital Euro 962,464,000	Milano	1	Intesa Sanpaolo	100.00	
11 Banca Imi Securities Corp Capital Usd 44,500,000	New York	1	Imi Capital Markets USA Corp.	100.00	
12 Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346,300,000	Roma	1	Intesa Sanpaolo	100.00	
13 Banca Intesa (Closed Joint-Stock Company) (former KMB Bank) (o) Capital RUB 10,820,180,800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98 86.74	
14 Banca Intesa a.d., Beograd (f) Capital RSD 18,477,400,000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
15 Banca Prossima S.p.A. Capital Euro 80,000,000	Milano	1	Intesa Sanpaolo	100.00	
16 Banco di Napoli S.p.A. Capital Euro 1,000,000,000	Napoli	1	Intesa Sanpaolo	100.00	
17 Bank of Alexandria S.A.E. (g) Capital EGP 800,000,000	Cairo	1	Intesa Sanpaolo	80.00	70.25
18 Banka Koper d.d. (h) Capital Euro 22,173,218.16	Koper	1	Intesa Sanpaolo	97.48	
19 Brivon Hungary Zrt Capital HUF 5,000,000	Budapest	1	Recovery Real Estate Management	100.00	
20 Canova Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
21 Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214,428,465	Forlì	1	Intesa Sanpaolo	80.92	
22 Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210,263,000	Gorizia	1	Intesa Sanpaolo	100.00	
23 Cassa di Risparmio del Veneto S.p.A. Capital Euro 781,169,000	Padova	1	Intesa Sanpaolo	100.00	
24 Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
25 Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70,755,020	Ascoli Piceno	1	Cassa di Risparmio di Firenze	66.00	
26 Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23,750,000	Città di Castello	1	Cassa di Risparmio di Firenze	82.19	
27 Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34,505,380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
28 Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828,836,017	Firenze	1	Intesa Sanpaolo	89.71	

Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
29 Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820	Foligno	1	Cassa di Risparmio di Firenze	70.53	
30 Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141,987,825	Pistoia	1	Cassa di Risparmio di Firenze	58.84	60.00
31 Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291	Rieti	1	Cassa di Risparmio di Firenze	85.00	
32 Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42,489,053	Spoleto	1	Cassa di Risparmio di Firenze	60.13	
33 Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21,000,000	Terni	1	Cassa di Risparmio di Firenze	75.00	
34 Cassa di Risparmio di Venezia S.p.A. Capital Euro 284,536,000	Venezia	1	Intesa Sanpaolo	100.00	
35 Cassa di Risparmio in Bologna S.p.A. Capital Euro 696,692,000	Bologna	1	Intesa Sanpaolo	100.00	
36 Centro Factoring S.p.A. Capital Euro 25,200,000	Firenze	1	Cassa di Risparmio di Firenze	41.77	
			Centro Leasing	14.95	
			Intesa Sanpaolo	10.81	
			Cassa di Risparmio di Pistoia e Pescia	5.73	
			Cassa dei Risparmi di Forlì e della Romagna	0.11	
				73.37	
37 Centro Leasing S.p.A. Capital Euro 155,020,051.50	Firenze	1	Cassa di Risparmio di Firenze	30.10	
			Leasint	58.09	
				88.19	
38 Centrovita Assicurazioni S.p.A. Capital Euro 52,000,000	Firenze	1	Intesa Sanpaolo	100.00	
39 Cib Bank Ltd Capital HUF 105,000,000,000	Budapest	1	Intesa Sanpaolo Holding International	93.48	
			Intesa Sanpaolo	6.52	
				100.00	
40 CIB Car Trading Ltd Capital HUF 10,000,000	Budapest	1	Recovery Real Estate Management	100.00	
41 CIB Factor Financial Service Ltd Capital HUF 103,500,000	Budapest	1	CIB Real Property Utilisation and Services	50.00	
			Cib Bank	50.00	
				100.00	
42 CIB Insurance Broker Ltd Capital HUF 10,000,000	Budapest	1	CIB Leasing	100.00	
43 CIB Investment Fund Management Ltd Capital HUF 600,000,000	Budapest	1	Cib Bank	94.98	
			CIB REAL Property Utilisation and Services	5.02	
				100.00	
44 CIB Leasing Holding Limited Liability Company Capital HUF 500,000	Budapest	1	Cib Bank	100.00	
45 CIB Leasing Ltd Capital HUF 50,000,000	Budapest	1	CIB Leasing Holding	98.16	
			CIB Real Estate	1.84	
				100.00	
46 CIB New York Broker Zrt under voluntary dissolution Capital HUF 20,025,000	Budapest	1	Cib Bank	100.00	
47 CIB Real Estate Ltd Capital HUF 51,000,000	Budapest	1	Cib Bank	100.00	
48 CIB REAL Property Utilisation and Services Ltd Capital HUF 50,000,000	Budapest	1	Cib Bank	100.00	
49 CIB Rent Operative Leasing Ltd Capital HUF 800,000,000	Budapest	1	Cib Bank	100.00	
50 Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
51 Compagnia Italiana Finanziaria - CIF S.r.l. Capital Euro 110,334,078.23	Milano	1	IN.FRA - Investire nelle Infrastrutture	52.54	
52 Consumer Finance Holding a.s. Capital Euro 53,110,277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
53 DB Platinum II Sicav (d)	Luxembourg	4	EurizonVita	100.00	
54 Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
55 Epsilon Associati SGR S.p.A. Capital Euro 5,200,000	Milano	1	Eurizon Capital SGR	51.00	
			Banca IMI	49.00	
				100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
56	Equiter S.p.A. Capital Euro 150,000,000	Torino	1	Intesa Sanpaolo	100.00	
57	Eurizon A.I. SGR S.p.A. Capital Euro 4,420,000	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
58	Eurizon Capital S.A. Capital Euro 7,557,200	Luxembourg	1	Eurizon Capital SGR	100.00	
59	Eurizon Capital S.G.R. S.p.A. Capital Euro 95,010,000	Milano	1	Intesa Sanpaolo	100.00	
60	Eurizon Investment Sicav	Luxembourg	4	Centrovita Assicurazioni Intesa Sanpaolo Vita SudPolo Vita Eurizon Vita Intesa Sanpaolo Life	1.80 36.11 13.61 7.62 29.70 88.84	
61	EurizonVita S.p.A. Capital Euro 295,322,508	Torino	1	Intesa Sanpaolo	99.96	
62	Intesa Sanpaolo Life Ltd (former EurizonLife Ltd) Capital Euro 625,000	Dublin	1	EurizonVita	100.00	
63	EurizonTutela S.p.A. Capital Euro 27,912,258	Torino	1	EurizonVita	100.00	
64	Euro-Tresorerie S.A. Capital Euro 250,038,322.20	Parigi	1	Financière Fideuram	100.00	
65	Fideuram Asset Management (Ireland) Ltd Capital Euro 1,000,000	Dublin	1	Banca Fideuram	100.00	
66	Fideuram Bank (Suisse) S.A. Capital CHF 15,000,000	Lugano	1	Fideuram Bank Luxembourg	100.00	
67	Fideuram Bank Luxembourg S.A. Capital Euro 30,000,000	Luxembourg	1	Banca Fideuram	100.00	
68	Fideuram Fiduciaria S.p.A. Capital Euro 1,551,000	Roma	1	Banca Fideuram	100.00	
69	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita EurizonVita	67.61 6.06 73.67	
70	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita EurizonVita	82.80 0.05 82.85	
71	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita EurizonVita	58.58 1.52 60.10	
72	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita EurizonVita	93.50 0.07 93.57	
73	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita EurizonVita	93.72 3.98 97.70	
74	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita EurizonVita	93.52 4.74 98.26	
75	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita EurizonVita	81.01 1.33 82.34	
76	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita EurizonVita	55.72 2.94 58.66	
77	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita EurizonVita	80.14 1.87 82.01	
78	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita EurizonVita	86.86 1.87 88.73	
79	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita EurizonVita	91.73 3.52 95.25	
80	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita EurizonVita	74.98 1.49 76.47	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
81	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	80.94	
				EurizonVita	1.67	
					82.61	
82	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita	95.53	
				EurizonVita	3.47	
					99.00	
83	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	94.81	
				EurizonVita	4.19	
					99.00	
84	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	90.46	
				EurizonVita	1.36	
					91.82	
85	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	66.10	
				EurizonVita	5.22	
					71.32	
86	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	72.82	
				EurizonVita	5.77	
					78.59	
87	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	62.53	
				EurizonVita	7.66	
					70.19	
88	Fideuram Fund Euro Short Term (d)	Luxembourg	4	Fideuram Vita	52.83	
				EurizonVita	3.06	
					55.89	
89	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Fideuram Vita	99.35	
90	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Fideuram Vita	100.00	
91	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	100.00	
92	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	99.99	
93	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
94	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
95	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
96	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
97	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
99	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
111	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
112	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	
113	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
114	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
115	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
116	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
117	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
118	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
119	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	99.69	
120	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	
	Capital Euro 10,000,000			Fideuram Vita	0.06	
					100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
121	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25,850,000	Milano	1	Banca Fideuram	99.50	
122	Fideuram Vita S.p.A. Capital Euro 356,946,836	Roma	1	Intesa Sanpaolo Banca Fideuram	80.01 19.99 100.00	
123	Financière Fideuram S.A. Capital Euro 346,761,600	Paris	1	Banca Fideuram	100.00	
124	Finanziaria B.T.B. S.p.A. Capital Euro 56,832,921.60	Trento	1	Intesa Sanpaolo	99.29	
125	Finor Leasing d.o.o. Capital Euro 2,044,700	Koper	1	Banka Koper	100.00	
126	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
127	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life Centrovita Assicurazioni Sud Polo Vita Intesa Sanpaolo Vita EurizonVita	30.08 1.98 8.88 14.04 1.28 56.26	
128	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life Centrovita Assicurazioni Sud Polo Vita Intesa Sanpaolo Vita EurizonVita	28.98 1.52 9.12 17.37 2.00 58.99	
129	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life Centrovita Assicurazioni Intesa Sanpaolo Vita Sud Polo Vita EurizonVita	31.56 15.83 18.02 12.42 2.62 80.45	
130	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life Centrovita Assicurazioni Sud Polo Vita Intesa Sanpaolo Vita EurizonVita	38.77 4.29 14.85 21.87 0.55 80.33	
131	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life Centrovita Assicurazioni Sud Polo Vita Intesa Sanpaolo Vita EurizonVita	35.54 3.73 12.86 19.34 0.43 71.90	
132	Fondo Flexible Strategy (d)	Luxembourg	4	EurizonVita Fideuram Vita	65.96 33.12 99.08	
133	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	EurizonVita Fideuram Vita	56.96 27.27 84.23	
134	Hayez Sicav	Luxembourg	4	Intesa Sanpaolo Life	100.00	
135	IMI Capital Markets USA Corp. Capital USD 5,000	New York	1	IMI Investments	100.00	
136	IMI Finance Luxembourg S.A. Capital Euro 100,000	Luxembourg	1	IMI Investments	100.00	
137	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2,000,000	Bologna	1	IMI Investimenti	100.00	
138	IMI Investimenti S.p.A. Capital Euro 579,184,200	Bologna	1	Intesa Sanpaolo	100.00	
139	IMI Investments S.A. Capital Euro 21,660,000	Luxembourg	1	Banca IMI	100.00	
140	Immobiliare Nuova Sede S.r.l. Capital Euro 51,480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
141	IN.FRA - Investire nelle Infrastrutture S.p.A. (p) Capital Euro 75,280,286.94	Milano	1	Intesa Sanpaolo	85.35	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
142	Infogroup S.c.p.A. Capital Euro 4,352,000	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e Pescia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				minority interests	0.02	
					100.00	
143	Iniziative Logistiche S.r.l. Capital Euro 44,377,076.66	Milano	1	IN.FRA - Investire nelle Infrastrutture	54.78	
144	Intesa Funding LLC Capital USD 10,000	Wilmington	1	Intesa Sanpaolo	100.00	
145	Intesa Global Finance Company Ltd Capital Euro 100,000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
146	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000	Milano	1	Intesa Sanpaolo	100.00	
147	Intesa Lease Sec S.r.l. Capital Euro 60,000	Milano	1	Intesa Sanpaolo	60.00	
148	Intesa Leasing d.o.o. Beograd Capital RSD 960,374,301	Beograd	1	Banca Intesa Beograd	98.70	
				CIB Leasing	1.30	
					100.00	
149	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Intesa Sanpaolo	100.00	
150	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5,562,517,674	Tirana	1	Intesa Sanpaolo	100.00	
151	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400,500,000	Dublin	1	Intesa Sanpaolo	100.00	
152	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44,782,000	Sarajevo	1	Intesa Sanpaolo Holding International	87.46	
153	Intesa Sanpaolo Card BH D.O.O. (former Centurion Financial Services Ltd) Capital BAM 1,049,126.50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
154	Intesa Sanpaolo Card d.o.o. - Ljubljana (former Centurion Financne Storitve) Capital Euro 5,618,761	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
155	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30,863,400	Zagreb	1	Banka Koper	15.34	
				Privredna Banka Zagreb	33.34	
				Intesa Sanpaolo Holding International	51.32	
					100.00	
156	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272,057,000	Torino	1	Intesa Sanpaolo	99.87	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				minority interests	0.08	
					100.00	
157	Intesa Sanpaolo Holding International S.A. Capital Euro 6,911,412,712	Luxembourg	1	Intesa Sanpaolo	100.00	
158	Intesa Sanpaolo Immobilière S.A. Capital Euro 250,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
159	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A.(former Intesa Previdenza SIM S.p.A.) Capital Euro 15,300,000	Milano	1	Intesa Sanpaolo	78.53	
160	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20,000,000	Lugano	1	Société Européenne de Banque	100.00	
161	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 105,313,200	Milano	1	Intesa Sanpaolo	100.00	
162	Intesa Sanpaolo Real Estate S.A. Capital Euro 2,940,476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
163	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 491,111,110	Arad	1	Intesa Sanpaolo	99.61	
				Intesa Sanpaolo Holding International	0.39	
					100.00	
164	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1,032,000	Milano	1	Intesa Sanpaolo	100.00	
165	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Intesa Sanpaolo	60.00	
166	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	60.00	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
167	Intesa Sec. Npl S.p.A. Capital Euro 129,000	Milano	1	Intesa Sanpaolo	60.00	
168	Intesa Sec. S.p.A. Capital Euro 100,000	Milano	1	Intesa Sanpaolo	60.00	
169	Intesa Sanpaolo Vita S.p.A. (former Intesa Vita S.p.A.) Capital Euro 394,226,300	Milano	1	Intesa Sanpaolo	100.00	
170	IntesaBci Preferred Capital Company LLC III Delaware (m) Capital Euro 11,000,000	Wilmington	1	Intesa Sanpaolo	100.00	
171	IntesaBci Preferred Securities Investor Trust Capital Euro 1,000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
172	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7,941,112.83	Lima	1	Intesa Sanpaolo	99.40	
173	ISP CB Ipotecario S.r.l. Capital Euro 120,000	Milano	1	Intesa Sanpaolo	60.00	
174	ISP CB Pubbico S.r.l. Capital Euro 120,000	Milano	1	Intesa Sanpaolo	60.00	
175	KMB - Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000	Moscow	1	Banca Intesa (Closed Joint-Stock Company)	100.00	
176	Leasint S.p.A. Capital Euro 172,043,500	Milano	1	Intesa Sanpaolo	100.00	
177	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
178	Lima Sudameris Holding S.A. in liquidation Capital PEN 172,384,709.03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
179	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	
180	Lux Gest Asset Management S.A. Capital Euro 200,000	Luxembourg	1	Société Européenne de Banque	100.00	
181	Medimurska Banka d.d. Capital HRK 127,900,000	Čakovec	1	Privredna Banka Zagreb	100.00	
182	Mediocredito Italiano S.p.A. Capital Euro 572,043,495	Milano	1	Intesa Sanpaolo	100.00	
183	Mediofactoring S.p.A. Capital Euro 220,000,000	Milano	1	Intesa Sanpaolo	100.00	
184	Moneta S.p.A. Capital Euro 109,830,000	Bologna	1	Intesa Sanpaolo	100.00	
185	Neos Finance S.p.A. Capital Euro 142,518,306	Bologna	1	Intesa Sanpaolo	100.00	
186	PBZ Card d.o.o. Capital HRK 43,422,200	Zagreb	1	Privredna Banka Zagreb	100.00	
187	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
188	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
189	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
190	PBZ Stambena Stedionica d.d. Capital HRK 115,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
191	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 937,280,000	Kiev	1	Intesa Sanpaolo	100.00	
192	Private Equity International S.A. Capital Euro 251,125,360	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
193	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
194	RE Consult Infrastrutture S.p.A. Capital Euro 66,200,000	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
195	Recovery a.s. Capital Euro 33,200	Bratislava	1	Vseobecna Uverova Banka	100.00	
196	Recovery Real Estate Management Ltd Capital HUF 3,000,000	Budapest	1	Cib Bank	100.00	
197	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
198	Sanpaolo International Formulas Fund (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
199	Sanpaolo Invest Ireland Ltd Capital Euro 500,000	Dublin	1	Banca Fideuram	100.00	
200	Sanpaolo Invest SIM S.p.A. Capital Euro 15,264,760	Roma	1	Banca Fideuram	100.00	
201	Servitia S.A. Capital Euro 1,500,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
202	Setefi S.p.A. Capital Euro 8,450,000	Milano	1	Moneta	100.00	
203	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2,600,000	Milano	1	Intesa Sanpaolo	100.00	
204	Société Européenne de Banque S.A. Capital Euro 45,000,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
205	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	93.67	
206	Split 2 S.r.l. (n)	Conegliano	4	Leasint	-	
207	Sud Polo Vita S.p.A. Capital Euro 84,464,122.20	Torino	1	Intesa Sanpaolo EurizonVita	98.79 1.19 99.98	
208	Sudameris S.A. Capital Euro 49,671,600	Paris	1	Intesa Sanpaolo Holding International	99.87	
209	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
210	Vseobecna Uverova Banka a.s. Capital Euro 430,819,063.81	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
211	VUB Asset Management Sprav. Spol a.s. Capital Euro 1,660,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
212	VUB Factoring a.s. Capital Euro 2,232,334	Bratislava	1	Vseobecna Uverova Banka	100.00	
213	VUB Leasing a.s. Capital Euro 16,600,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
214	VUB Poistovaci Makler s.r.o. Capital Euro 16,597	Bratislava	1	VUB Leasing	100.00	

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

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

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

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

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

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

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

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.52% of share capital.

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

(j) Please note that there is a put option sold/call option purchased from minority shareholders on 32.90% of ordinary shares.

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

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

(m) Considering the "preferred shares" issued for a total of 500,000,000 euro, the equity stake equals 2.15%.

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

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

(p) Please note that there is a put option sold/call option purchased from minority shareholders on 14.65% of share capital.

Main risks and uncertainties

As already indicated in the Annual Report 2010, in Document 2 of 6 February 2009 and Document 4 of 3 March 2010, the Bank of Italy, Consob and Isvap made certain remarks on the conditions faced (at that time) by the markets and businesses, requesting the disclosure in financial reports of specific data deemed essential to provide a clearer picture of companies' performance and prospects.
On the basis of those recommendations and in reference to the going-concern assumption, it should be noted that the Interim quarterly report as at 31 March 2011 has been prepared on a going-concern basis, since there were no reasons not to believe that the Company will continue to operate profitably in the foreseeable future. Indeed, no uncertainties have been detected either in the asset and financial structure or in the performance of operations such as to cast doubt on this subject. Information on risks and uncertainties faced by the Intesa Sanpaolo Group is provided in this Report. In further detail, the chapter on the macroeconomic scenario contains a description of the risks associated with the trends in the global economy and capital markets and the actions taken by supranational authorities. Specific analyses are devoted to the performance and prospects of Italy's economy and finances. Lastly, further information is contained in the chapter on the development of operations and in the subsequent notes to the income statement and balance sheet aggregates.
Financial and operational risks are detailed in the Notes on risk management. The same chapter also provides detailed information on the fair value measurement methods applied to financial instruments and the various measurement levels, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and derivatives transactions with customers.

Equity investments, securities available for sale, intangible assets and goodwill were tested for impairment losses when preparing the Interim report through analyses involving the verification of the presence of impairment indicators and the determination of any write-down.
In further detail, equity investments and securities available for sale were tested for impairment in order to assess whether there is objective evidence to consider that the carrying value of such assets may not be fully recoverable by adopting the same methods and criteria illustrated in the Annual report 2010, to which reference should be made. Such tests resulted in the need to recognise a total of 17 million euro in adjustments to certain securities available for sale.

Intangible assets with finite useful lives, consisting of the asset-management and insurance portfolios and core deposits, the amounts of which (a total of 3,615 million euro as at 31 March 2011) have also been gradually amortised, were analysed in order to verify whether there were indications of impairment. These analyses did not identify any critical factors compared to the situation and estimate of recoverable amount prepared for the Annual Report 2010. Accordingly, there was no need to recognise adjustments to intangible assets. In addition, it should be noted that the recoverable amount determined at the end of 2010 significantly exceeded the carrying amount and that the carrying amount has since decreased by 183 million euro due to amortisation for the quarter and the sale of CR Spezia and several branches completed during the quarter.

Intangible assets with indefinite useful lives, represented by the brand name (2,384 million euro as at 31 March 2011) and goodwill (19,013 million euro as at 31 March 2011), were analysed in order to verify whether there were indications that they had become impaired and thus whether the recoverable amounts of the various CGUs needed to be re-determined. In particular:
- separate projected cash flows are in line with the 2011-2013/2015 Business Plan disclosed to the markets last 6 April;
- cash flow growth rates beyond the forecasting period, for the purposes of determining the so-called terminal value, did not indicate any items requiring a change in the "g" rate used for 2010 impairment test;
- cash-flow discounting rates have been updated on the basis of the new information available. The new figures present an increase in the risk-free component and a slight change (in some cases an increase and in others a decrease) in the beta factor. Compared to the rates used in the 2010 impairment testing, there was a slight increase in values for all CGUs.

The foregoing analyses did not yield any critical factors that would have had a material impact on the recoverable amounts of the various CGUs as determined for impairment testing in the Annual Report 2010. In addition, in-depth sensitivity analyses of both discount rates and growth rates for terminal value and projected cash flows were also conducted. These analyses, to which reference should be made, indicated that there were margins for the stability of carrying amounts even in the event of the use of rates less prudent than those employed and of cash flows based on more cautious macroeconomic scenarios.
The results of the foregoing analyses thus confirm the recognised amounts. In addition, it may be remarked that market values, equal to the price of the security, and therefore to the stock market capitalisation, remain lower than net book value.
As already remarked in the Annual Report 2010, this market valuation has characteristics that differentiate it from a "basic" assessment consisting of the value in use.
The price of Intesa Sanpaolo's stock continues to be affected by capital market conditions that generally remain depressed and highly volatile. In further detail, like the rest of the banking industry, it is penalised by the sovereign debt crisis and concerns regarding the solidity and liquidity of the financial system generally, in addition to uncertainties concerning the impacts of the prospected new capital requirements. Conversely, the value in use is based on the logic that the value of an asset is a direct expression of the cash flows it is able to generate throughout the period of its use. This value is thus also based on the internal expectations of the company and on the specific synergies the company is able to achieve, as opposed to market valuations, which are instead pegged to the short-term expectations of investors and only consider the so-called universal synergies.
Accordingly, the conclusions formulated in the Annual Report 2010 regarding the fact that the ongoing crisis affects expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges, are confirmed.

Other information

Subsidiaries incorporated and subject to the laws of non-EU member states

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (art. 36 Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana has also required that at the time of approval of the Parent Company's financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Market Regulation are met. Intesa Sanpaolo's declaration to this effect can be found in the Annual Report 2010.
In this respect, no acquisitions were completed in the first quarter of 2011 concerning companies registered in non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into six business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, Public Finance, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the Divisions of the Parent Company.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk. Value creation, expressed in terms of EVA®, was calculated net of merger and restructuring-related charges and of the economic effects of purchase price allocation pursuant to IFRS 3.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

As described in the Executive summary – to which reference is made for more detailed information – at the beginning of April the Management Board and the Supervisory Board approved – each within the scope of its competences - the Group's 2011-2013/2015 Business Plan and, as part of that, resolved a 5 billion euro capital increase at the Extraordinary Shareholders' Meeting convened for 9-10 May 2011. The capital increase decision is the result of Intesa Sanpaolo's desire to fully comply with immediate effect with what is believed will become the "new normal" for Basel III in terms of both capital – with a Common Equity ratio of about 10% – and liquidity.

Although the deal will have no effect at the consolidated level, the plan for the partial demerger of Moneta S.p.A. (an Intesa Sanpaolo wholly-owned company) was filed with the Torino Company Register on 2 May 2011. The deal involves transfer, under the direct control of the Parent Company, of the stake held by Moneta in Setefi S.p.A., a company specialised in e-money and payment services provided predominantly in Italy. The transfer is aimed at developing excellence in the creation and operational management of e-money products supporting the Banca dei Territori and Corporate & Investment Banking Divisions.

On 3 May, Intesa Sanpaolo launched a 2 billion eurobond issue on the Euromarket, targeted at international markets. It is a three-year, floating rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo. The quarterly coupon, payable in arrears on 12 August, 12 November, 12 February and 12 May of each year from and including 12 August 2011 up to the maturity date, is equal to the 3-month Euribor + 110 basis points per annum. The re-offer price has been set at 99.795%. Considering the re-offer price, the yield to maturity for the investor is equal to the 3-month Euribor + 117 basis points per annum. The security is not aimed at the Italian retail market but at professional investors and international financial intermediaries and will be listed on the Luxembourg Stock Exchange and, as usual, traded over-the-counter.

On 6 May 2011, the international rating agency Moody's downgraded the Bank Financial Strength rating to C+ (from B-) and the long-term rating to Aa3 (from Aa2), with stable outlook, assigned to Intesa Sanpaolo. The P-1 short-term rating was confirmed. The ratings assigned by the other agencies were unchanged.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, income statement figures for the first quarter 2011 and for the previous quarters of 2010 are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation.
The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the quarterly report, as also required by Consob in its Communication 6064293 of 28 July 2006.
The restatements are represented by the inclusion of the figures for Intesa Vita and the branches acquired from Banca Monte dei Paschi di Siena in the periods prior to acquisition, as well as the deconsolidation of the figures for Cassa di Risparmio di La Spezia and the branches sold to Crédit Agricole in the first quarter 2011.
Reclassifications and aggregations are as follows:

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

Reclassified income statement

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	2,396	2,401	-5	-0.2
Dividends and profits (losses) on investments carried at equity	7	-3	10	
Net fee and commission income	1,394	1,403	-9	-0.6
Profits (Losses) on trading	278	218	60	27.5
Income from insurance business	120	204	-84	-41.2
Other operating income (expenses)	11	22	-11	-50.0
Operating income	**4,206**	**4,245**	**-39**	**-0.9**
Personnel expenses	-1,374	-1,369	5	0.4
Other administrative expenses	-720	-738	-18	-2.4
Adjustments to property, equipment and intangible assets	-149	-142	7	4.9
Operating costs	**-2,243**	**-2,249**	**-6**	**-0.3**
Operating margin	**1,963**	**1,996**	**-33**	**-1.7**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-13	-86	-73	-84.9
Net adjustments to loans	-680	-750	-70	-9.3
Net impairment losses on other assets	-17	-5	12	
Profits (Losses) on investments held to maturity and on other investments	14	10	4	40.0
Income (Loss) before tax from continuing operations	**1,267**	**1,165**	**102**	**8.8**
Taxes on income from continuing operations	-496	-362	134	37.0
Merger and restructuring-related charges (net of tax)	-4	-16	-12	-75.0
Effect of purchase price allocation (net of tax)	-86	-92	-6	-6.5
Income (Loss) after tax from discontinued operations	-	28	-28	
Minority interests	-20	-35	-15	-42.9
Net income	**661**	**688**	**-27**	**-3.9**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2011	2010			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,396	2,410	2,457	2,450	2,401
Dividends and profits (losses) on investments carried at equity	7	11	-5	26	-3
Net fee and commission income	1,394	1,514	1,327	1,403	1,403
Profits (Losses) on trading	278	122	126	-3	218
Income from insurance business	120	126	173	151	204
Other operating income (expenses)	11	20	-4	1	22
Operating income	**4,206**	**4,203**	**4,074**	**4,028**	**4,245**
Personnel expenses	-1,374	-1,436	-1,366	-1,365	-1,369
Other administrative expenses	-720	-893	-750	-785	-738
Adjustments to property, equipment and intangible assets	-149	-169	-143	-148	-142
Operating costs	**-2,243**	**-2,498**	**-2,259**	**-2,298**	**-2,249**
Operating margin	**1,963**	**1,705**	**1,815**	**1,730**	**1,996**
Goodwill impairment	-	-	-	-	-
Net provisions for risks and charges	-13	-144	-30	-98	-86
Net adjustments to loans	-680	-838	-706	-794	-750
Net impairment losses on other assets	-17	-47	-5	-38	-5
Profits (Losses) on investments held to maturity and on other investments	14	262	-	1	10
Income (Loss) before tax from continuing operations	**1,267**	**938**	**1,074**	**801**	**1,165**
Taxes on income from continuing operations	-496	-296	-418	-321	-362
Merger and restructuring-related charges (net of tax)	-4	-18	-11	-27	-16
Effect of purchase price allocation (net of tax)	-86	-102	-102	-100	-92
Income (Loss) after tax from discontinued operations	-	3	-	663	28
Minority interests	-20	-20	-33	-14	-35
Net income	**661**	**505**	**510**	**1,002**	**688**

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

In a market scenario that remains characterised by the weakness of the economic recovery, aggravated by international tensions and the demand for new capital for financial institutions, and distinguished by tensions on the financial condition of certain European countries, which continued to affect market performance, the Intesa Sanpaolo Group reported an operating margin in the first quarter of 2011 which, though decreasing in absolute value compared to that recorded in the same period of the previous year (-1.7%), showed significant growth on the last quarter of 2010 (+15.1%).
In particular, compared to March 2010, the decrease in operating margin is due to a slight drop in operating income (-0.9%). Net income for the period stood at 661 million euro, down by 3.9% on the 688 million euro reported in 2010, but, in any event, a significant improvement on the last period of the previous year (+31%).

Operating income

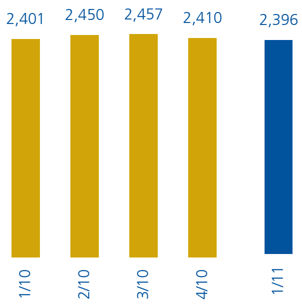
The operating income reported by the Group in the first quarter of 2011 amounted to 4,206 million euro, a slight decrease of 0.9% compared to the first quarter of 2010. The trend that emerges from a comparison of the two periods was essentially the consequence of the decline in insurance business (-84 million euro), partially offset by the growth in profits on trading (+60 million euro).
Net interest and fee and commission income, on the contrary, remained in line with the values of the first quarter 2010.

Net interest income

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Relations with customers	2,746	2,633	113	4.3
Securities issued	-1,335	-1,314	21	1.6
Differentials on hedging derivatives	433	595	-162	-27.2
Customer dealing	**1,844**	**1,914**	**-70**	**-3.7**
Financial assets held for trading	147	161	-14	-8.7
Investments held to maturity	28	31	-3	-9.7
Financial assets available for sale	138	106	32	30.2
Financial assets	**313**	**298**	**15**	**5.0**
Relations with banks	**36**	**50**	**-14**	**-28.0**
Non-performing assets	**222**	**171**	**51**	**29.8**
Other net interest income	**-19**	**-32**	**-13**	**-40.6**
Net interest income	**2,396**	**2,401**	**-5**	**-0.2**

Quarterly development of net interest income



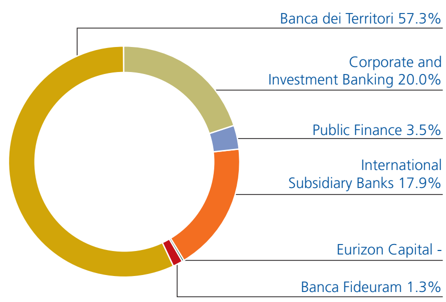
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net interest income, which remains the primary revenue caption, stood at the same levels as March 2010, as a result of a contraction (-0.9%) in net interest income from customers (including interest on non-performing loans) and a larger decrease in interest on interbank relations (-28%), partially offset by growth in the contribution of financial assets (+5%). Nonetheless, performance in 2011 should begin to benefit from the slow rise in spreads, based on the increase in the Euribor, which began in the second half of 2010, and was further driven by the rise in interest rates applied by the European Central Bank at the beginning of April.
Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 1,844 million euro, down 70 million euro (-3.7%) compared to the first quarter of 2010.
Conversely, financial assets recorded positive results of 15 million euro, reaching 313 million euro (+5%), partly offset by the decrease of 14 million in interbank components.
A quarterly analysis shows a slight drop in net interest income compared to the last quarter of 2010 (-14 million euro) due to the lower number of calendar days.

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Banca dei Territori	1,404	1,479	-75	-5.1
Corporate and Investment Banking	490	465	25	5.4
Public Finance	86	72	14	19.4
International Subsidiary Banks	437	403	34	8.4
Eurizon Capital	-	-	-	-
Banca Fideuram	31	28	3	10.7
Total business areas	**2,448**	**2,447**	**1**	**-**
Corporate Centre	-52	-46	6	13.0
Intesa Sanpaolo Group	**2,396**	**2,401**	**-5**	**-0.2**

Business areas



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

Banca dei Territori, which accounts for 57% of business area results, recorded a 5.1% decrease in net interest income, mainly due to the reduced contribution from loans to customers following the increase in market rates, which resulted in a lower mark-up. Conversely, there was an increase in net interest income for the other Business Units, specifically Corporate and Investment Banking (+5.4%), mainly attributable to the increase in average volumes of loans, driven in particular by the operations of the structured finance, leasing and factoring product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from greater interest and active management in the finance and capital management segment. Positive contributions also came from the International Subsidiary Banks (+8.4%), Public Finance (+19.4%), following the development of operations targeted to Italian and foreign customers, and Banca Fideuram (+10.7%), which benefited from the trend in interest rates.

Dividends and profits on investments carried at equity

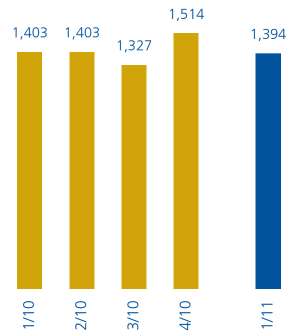
A total of 7 million euro in dividends and profits on investments carried at equity was recognised in the first three months of 2011 compared to a loss of 3 million euro reported in the first quarter of 2010. In further detail, the profits earned by Bank of Qingdao (+5 million euro) and Penghua Fund Management (+3 million euro) gave a positive contribution.

Net fee and commission income

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Guarantees given	101	85	16	18.8
Collection and payment services	76	81	-5	-6.2
Current accounts	215	226	-11	-4.9
Credit and debit cards	108	109	-1	-0.9
Commercial banking activities	**500**	**501**	**-1**	**-0.2**
Dealing and placement of securities	108	143	-35	-24.5
Currency dealing	14	13	1	7.7
Portfolio management	313	293	20	6.8
Distribution of insurance products	203	185	18	9.7
Other	26	27	-1	-3.7
Management, dealing and consultancy activities	**664**	**661**	**3**	**0.5**
Other net fee and commission income	**230**	**241**	**-11**	**-4.6**
Net fee and commission income	**1,394**	**1,403**	**-9**	**-0.6**

Quarterly development of net fee and commission income



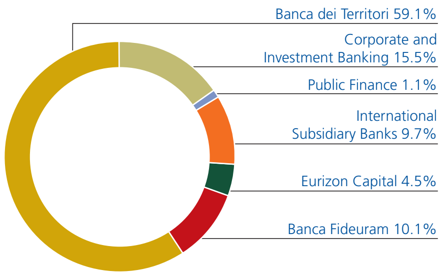
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net fee and commission income, which makes up about one third of operating income, amounted to 1,394 million euro, down 0.6% compared to the first quarter of 2010, owing largely to the lower fee and commission income on the placement of securities and funds.
Fees and commissions on commercial banking activities reports a very slight drop in the reporting period compared to the same period of the previous year. The negative trend stemmed from the contribution of fees and commissions on current accounts (-11 million euro) and on collection and payment (-5 million). Commissions on guarantees given improved significantly, reporting a positive effect of 16 million euro.
Overall, management, dealing and consultancy activities generated net fee and commission income of 664 million euro, up slightly by 0.5% compared to the figure for the same period of 2010. The increase can be substantially attributed to the improvement in the results of portfolio management (+20 million) and the distribution of insurance products (+18 million euro) almost fully offset by the worsening of security dealing and placement commissions (-35 million euro), which did not include significant transactions in the quarter, unlike the first quarter of 2010.
Other net fee and commission income, whose key factors are represented by commissions on loans issued and on factoring services, were lower than the figures for 2010, reaching 230 million euro (-4.6%).
On a quarterly level, the first quarter of 2011 yielded a result that was lower than that of the last period of 2010, in which higher results were achieved mainly due to the effect of overperformance commissions recognised by the asset management companies at the end of the year and due to lower commissions on loans.

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Banca dei Territori	845	841	4	0.5
Corporate and Investment Banking	222	241	-19	-7.9
Public Finance	15	14	1	7.1
International Subsidiary Banks	139	132	7	5.3
Eurizon Capital	64	62	2	3.2
Banca Fideuram	144	132	12	9.1
Total business areas	**1,429**	**1,422**	**7**	**0.5**
Corporate Centre	-35	-19	16	84.2
Intesa Sanpaolo Group	**1,394**	**1,403**	**-9**	**-0.6**

Business areas



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

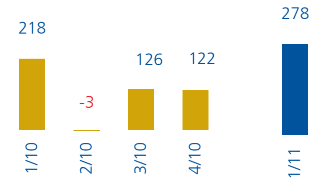
The trend in business areas was affected by Corporate and Investment Banking, which reported a downturn of 7.9%, attributable to the decreased development of investment banking activities. The results of Banca dei Territori, which represents 59% of the total fee and commission income earned by all business units, increased slightly (+0.5%) compared to the amount recorded in the same period of the previous year, thanks to the positive trend of asset management and insurance products. A good performance was reported also in net fee and commission income by Banca Fideuram (+9.1%), driven by the rise in average assets under management and the repositioning of the product mix to favour management products with a less conservative risk profile. More moderate increases by amount were also reported by the International Subsidiary Banks (+7 million euro), by Eurizon Capital (+2 million euro), driven by the rise in average assets under management, and by Public Finance (+1 million euro), owing to revenue growth on services, specifically for the component relating to structuring activities.

Profits (Losses) on trading

(millions of euro)

	31.03.2011	31.03.2010	Changes amount	Changes %
Interest rates	193	69	124	
Equity instruments	40	24	16	66.7
Currencies	25	84	-59	-70.2
Structured credit products	26	27	-1	-3.7
Credit derivatives	-32	-4	28	
Commodity derivatives	8	-	8	-
Trading result	**260**	**200**	**60**	**30.0**
Trading on AFS securities and financial liabilities	**18**	**18**	**-**	**-**
Profits (Losses) on trading	**278**	**218**	**60**	**27.5**

Quarterly development of profits (losses) on trading



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

In the first three months of 2011, profits on trading were 278 million euro, an increase on the positive figure reported as at 31 March 2010 (218 million euro). The change is attributable to the favourable contribution of interest rate transactions. Transactions in credit derivatives had a negative sign, while the contribution of structured credit products was stable compared to March 2010.

Interest rate transactions generated a positive result of 193 million euro, showing significant growth on the 69 million euro in the first quarter of 2010 thanks to the contributions of the Parent Company (50 million euro) and Banca IMI (125 million euro).

Transactions in equities generated a positive result of 40 million euro due to Banca IMI's dealing operations for 27 million euro, valuation of a real estate fund for 8 million euro and income from hedge funds for 3 million euro.

Profits on currencies stood at 25 million euro, down from the 84 million euro recorded in the first quarter of 2010.

The contribution to caption 80 of structured credit products was positive and in line with the same quarter of 2010 (26 million euro compared to 27 million euro in the first quarter of 2010).

The loss on credit derivatives amounted to 32 million euro in the first quarter of 2011 and is almost fully attributable (-29 million euro) to the subsidiary Banca IMI. This effect is partly related to credit risk trading (+8 million euro in the first quarter of 2011) and partly to the assumption of short positions, through derivatives for purchasing protection, to operationally hedge credit risk assumed with securities classified in the trading portfolio (-37 million euro in the first quarter of 2011). Therefore, the capital losses recorded on derivatives are partly offset by net capital gains recorded in the securities category.

As for transactions in AFS securities and in financial liabilities, recorded under Profits (losses) on trading for the purposes of the reclassified income statement, in relation to substantial stability in dividends collected on shares classified in the portfolio available for sale (+3 million euro as at 31 March 2011 compared to +6 million euro in the previous year), Intesa Sanpaolo's creditworthiness provided a less negative contribution on the measurement of financial liabilities under the fair value option (-5 million euro as at 31 March 2011 compared to -14 million euro as at 31 March 2010). This reduction is attributable to the worsening of the Group's creditworthiness. This is in addition to the reduction in profits on disposal of assets available for sale (20 million euro as at 31 March 2011 compared to 39 million euro in the first quarter of the previous year), mainly attributable to Banca IMI (10 million euro compared to 16 million) and Banca Fideuram (1 million euro compared to 14 million).

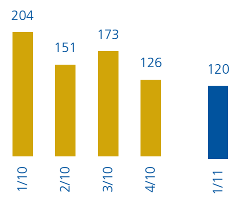
Compared to the fourth quarter of 2010, profits on trading reported growth of 156 million euro.

Income from insurance business

(millions of euro)

	31.03.2011			31.03.2010			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Premiums and payments [a]	-79	35	-44	-160	26	-134	-90	-67.2
net premiums	*3,387*	*44*	*3,431*	*3,133*	*38*	*3,171*	*260*	*8.2*
net charges for claims and surrendering of policies	*-1,392*	*-9*	*-1,401*	*-1,458*	*-12*	*-1,470*	*-69*	*-4.7*
net charges for changes in technical reserves	*-2,074*	*-*	*-2,074*	*-1,835*	*-*	*-1,835*	*239*	*13.0*
Net income from financial instruments designated at fair value through profit and loss [b]	-26	-	-26	137	-	137	-163	
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [c]	401	2	403	390	3	393	10	2.5
Other income/charges from insurance business[d]	-194	-19	-213	-172	-20	-192	21	10.9
Income from insurance business	**102**	**18**	**120**	**195**	**9**	**204**	**-84**	**-41.2**

Quarterly development of income from insurance business



Figures restated, where necessary, 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.

During the first quarter of 2011, income from the insurance business, which includes the revenue captions of the Group's life and non-life companies, was 120 million euro, down compared to the 204 million euro earned in the same period of the previous year. The trend is specifically attributable to the financial performance, which reported significantly high positive capital gains on sales of securities in the first quarter of 2010 as opposed to the negative results recorded in the first quarter 2011.
The impact of the two quarters on the Income Statement depends on the method adopted in allocating the quotas relevant to the segregated portfolios; the yield rates are adjusted to reflect these capital gains during subsequent months.
From a technical management standpoint, there was an overall improvement of 90 million euro, thanks to growth in premiums (+260 million euro), only partly offset by the growth in reserves.
The performance in the first quarter of 2011 was substantially in line with the results achieved in the last quarter of 2010.

Other operating income (expenses)

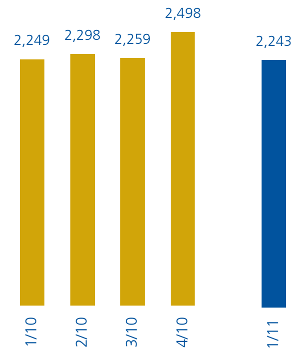
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense and tax recoveries that have led to a reduction in administrative expenses. During the reporting period, the caption came to a positive 11 million euro, compared to 22 million euro in the first quarter of 2010. The decrease is due to the fact that the first quarter of 2010 benefited from gains on the settlement of disputes.

Operating costs

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Wages and salaries	967	985	-18	-1.8
Social security charges	249	253	-4	-1.6
Other	158	131	27	20.6
Personnel expenses	**1,374**	**1,369**	**5**	**0.4**
Information technology expenses	175	184	-9	-4.9
Management of real estate assets	184	190	-6	-3.2
General structure costs	109	111	-2	-1.8
Professional and legal expenses	113	102	11	10.8
Advertising and promotional expenses	29	39	-10	-25.6
Indirect personnel costs	26	30	-4	-13.3
Other costs	79	67	12	17.9
Indirect taxes and duties	152	150	2	1.3
Recovery of expenses and charges	-147	-135	12	8.9
Administrative expenses	**720**	**738**	**-18**	**-2.4**
Property and equipment	94	93	1	1.1
Intangible assets	55	49	6	12.2
Adjustments	**149**	**142**	**7**	**4.9**
Operating costs	**2,243**	**2,249**	**-6**	**-0.3**

Quarterly development of operating costs



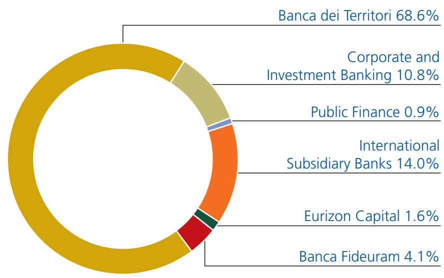
Figures restated, where necessary, considering the changes in the scope of consolidation.

Operating costs for the first quarter of 2011 stood at 2,243 million euro, decreasing slightly by 0.3% compared to the same period of the previous year, following a positive trend which has been in place for years, of a general decrease in cost structure.
Personnel expenses recorded a slight increase of 0.4%, standing at 1,374 million euro, thanks to the continuation of human resource optimisation policies which took the form of staff downsizing in both period-end and average figures.
Administrative expenses were 720 million euro, down 2.4%: this result was shaped by lower advertising and promotional expenses (-10 million euro), IT services (-9 million euro) and property management expenses (-6 million euro). These decreases were partly absorbed by the increase in professional and legal expenses (+11 million euro).
Adjustments amounted to 149 million euro, up slightly (4.9%) on the first three months of the previous year, essentially due to the greater amortisation of software.
The cost/income ratio for the period was 53.3%, in line with the 53% in the same period of 2010, and an improvement on the 59.4% in the fourth quarter 2010.
On a quarterly level, operating costs in the first quarter of 2011 reported a significant decrease of 10.2% compared to the fourth quarter of 2010. This decrease is also attributable to administrative expenses, which traditionally weigh more heavily at the end of the year.

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Banca dei Territori	1,402	1,408	-6	-0.4
Corporate and Investment Banking	220	207	13	6.3
Public Finance	19	21	-2	-9.5
International Subsidiary Banks	286	282	4	1.4
Eurizon Capital	32	33	-1	-3.0
Banca Fideuram	84	84	-	-
Total business areas	**2,043**	**2,035**	**8**	**0.4**
Corporate Centre	200	214	-14	-6.5
Intesa Sanpaolo Group	**2,243**	**2,249**	**-6**	**-0.3**

Business areas



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

The virtuous trend in Group operating costs (-0.3%) was driven by all business units with the exception of Corporate and Investment Banking and the International Subsidiary Banks. Costs decreases for Banca dei Territori (-6 million euro), which recorded 69% of business area costs, Public Finance (-2 million euro) and Eurizon Capital (-1 million euro). The Corporate Centre's costs were also down (-14 million euro). By contrast, cost increases were reported by Corporate and Investment Banking (+13 million euro) and, to a lesser extent, International Subsidiary Banks (+4 million euro).

Operating margin

Operating margin in the first quarter of 2011 was 1,963 million euro, down 1.7% on the corresponding period of the previous year. This trend is essentially due to a lower positive contribution from certain revenue captions which were not fully offset by the parallel decrease in operating costs.
There was an increase of 15.1% compared to the fourth quarter of 2010, which recorded an operating margin of 1,705 million euro.

Adjustments to/write-backs on assets

Net provisions for risks and charges

Net provisions for risks and charges amounted to 13 million euro, a significant decrease on the 86 million euro recorded in the first quarter of 2010, due to the smaller number of new disputes and the closure of several disputes, with charges lower than those estimated.

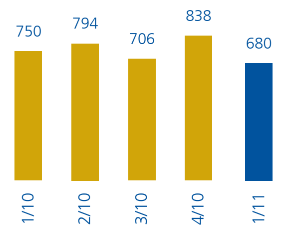
Net adjustments to loans

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Doubtful loans	-394	-395	-1	-0.3
Substandard loans	-231	-266	-35	-13.2
Restructured loans	-8	-2	6	
Past due loans	-46	-57	-11	-19.3
Performing loans	-4	-28	-24	-85.7
Net impairment losses on loans	**-683**	**-748**	**-65**	**-8.7**
Net adjustments to guarantees and commitments	**3**	**-2**	**5**	
Net adjustments to loans	**-680**	**-750**	**-70**	**-9.3**

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

Quarterly development of net adjustments to loans



Net adjustments to loans in the first quarter of 2011 amounted to 680 million euro, lower than the 750 million euro in the corresponding period of 2010. This trend is also confirmed by the substantial decrease in these charges compared to the 838 million euro recorded in the last quarter of 2010.
During the first quarter, net adjustments to doubtful loans remained steady and there was a decline in adjustments to substandard positions (-35 million euro).
Provisions for performing loans were confirmed at 2010 year-end levels, and did not have substantial effects on the income statement.
A total of 3 million euro in write-backs were recognised on guarantees given, compared to adjustments of 2 million euro in the first quarter of 2010.
A quarterly analysis shows that the first three months of 2011 yielded a decline in net adjustments to loans compared to the values recorded in each quarter of 2010.

Net impairment losses on other assets

Impairment losses on assets other than loans came to 17 million euro, up compared to the 5 million euro recognised in the first three months of the previous year, and are attributable to impairment losses on securities available for sale. In the fourth quarter of 2010 this caption stood at 47 million euro, attributable to the write-down of some listed shares and assets guaranteeing loans, carried out by the international subsidiaries.

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

Profits on investments held to maturity and on other investments amounted to 14 million euro. They include capital gains on the disposal of property as well as profits on the disposal of other investments.
This figure is compared to the 10 million euro in profits reported in the first quarter of 2010.

Income before tax from continuing operations

Income before tax from continuing operations came to 1,267 million euro, up 8.8% compared to the first quarter of 2010. This positive trend was driven by the decreases in net provisions for risks and charges and in net adjustments to loans. On a quarterly level, the income for the period exceeds the average figure for the four quarters of 2010 and was up 35.1% compared to the income for the fourth quarter of 2010.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred income taxes accrued during the period resulted in provisions of 496 million euro, compared to 362 million euro in the first quarter of 2010, which had also benefited from a positive impact (86 million euro) of the detaxation, pursuant to Legislative Decree 185/08, of the goodwill recorded by several Group banks to which the Parent Company had contributed business lines. The tax rate for the period stood at slightly more than 39%.

Merger and restructuring-related charges (net of tax)
Restructuring-related charges, net of tax effects, came to 4 million euro, down sharply compared to both the 16 million euro recognised in the first quarter of 2010 and the average quarterly figure for 2010, bearing witness to the completion of the main integration processes for Group banks.

Effect of purchase price allocation (net of tax)
This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges amounted to 86 million euro, down 6 million euro compared to the first quarter of 2010.

Income (Loss) from discontinued operations (net of tax)
The caption relating to discontinued operations did not show any amount for the first quarter of 2011.
In the first three months of the previous year, this caption recorded profits of 28 million euro, attributable to the securities services business which was subsequently disposed of.

Net income
The Group closed the first quarter of 2011 with a net income of 661 million euro, down compared to the 688 million euro reported in the first quarter of the previous year (-3.9%), but recovering compared to the last quarter of 2010 (+31%).

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's results for the period. Where necessary, comparative figures are restated to account for non-current assets held for sale and discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

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

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

The restatements are represented by the deconsolidation of the figures for Cassa di Risparmio di La Spezia and the branches sold to Crédit Agricole in the first quarter 2011.

Aggregations of captions referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	31.03.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	61,094	71,898	-10,804	-15.0
Financial assets designated at fair value through profit and loss	36,348	35,549	799	2.2
Financial assets available for sale	64,695	61,607	3,088	5.0
Investments held to maturity	3,001	3,839	-838	-21.8
Due from banks	41,531	42,575	-1,044	-2.5
Loans to customers	375,513	377,271	-1,758	-0.5
Investments in associates and companies subject to joint control	2,817	2,712	105	3.9
Property, equipment and intangible assets	30,990	31,162	-172	-0.6
Tax assets	8,027	8,716	-689	-7.9
Non-current assets held for sale and discontinued operations	35	75	-40	-53.3
Other assets	20,666	20,837	-171	-0.8
Total Assets	**644,717**	**656,241**	**-11,524**	**-1.8**

Liabilities and Shareholders' Equity	31.03.2011	31.12.2010	Changes	
			amount	%
Due to banks	50,474	52,485	-2,011	-3.8
Due to customers and securities issued	392,705	399,104	-6,399	-1.6
Financial liabilities held for trading	37,435	45,045	-7,610	-16.9
Financial liabilities designated at fair value through profit and loss	25,201	26,144	-943	-3.6
Tax liabilities	3,329	3,241	88	2.7
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	23,676	20,857	2,819	13.5
Technical reserves	51,896	50,188	1,708	3.4
Allowances for specific purpose	4,538	4,624	-86	-1.9
Share capital	6,647	6,647	-	-
Reserves	47,920	45,235	2,685	5.9
Valuation reserves	-766	-1,054	-288	-27.3
Minority interests	1,001	1,020	-19	-1.9
Net income	661	2,705	-2,044	-75.6
Total Liabilities and Shareholders' Equity	**644,717**	**656,241**	**-11,524**	**-1.8**

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

Intesa Sanpaolo's consolidated assets did not undergo significant changes in the quarter, decreasing by 11.6 billion euro, or 1.8% of the total, overall.
On the assets side, there were decreases in loans to customers (-1.8 billion euro) and the overall financial portfolio. Within the latter, there were increases in certain types of financial assets: those measured at fair value and those available for sale.
With regard to liabilities, there were decreases in due to customers (-6.4 billion euro) and the interbank position (-2 billion euro), and a decrease was also recorded in financial liabilities held for trading (-7.6 billion euro). On the contrary, there were increases in technical reserves (+1.7 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2011	2010			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	61,094	71,898	90,516	98,471	83,978
Financial assets designated at fair value through profit and loss	36,348	35,549	33,252	32,973	33,431
Financial assets available for sale	64,695	61,607	60,302	54,955	55,364
Investments held to maturity	3,001	3,839	4,205	4,307	4,341
Due from banks	41,531	42,575	45,010	48,460	47,763
Loans to customers	375,513	377,271	376,876	372,933	368,972
Investments in associates and companies subject to joint control	2,817	2,712	2,360	2,348	2,328
Property, equipment and intangible assets	30,990	31,162	30,678	30,869	30,762
Tax assets	8,027	8,716	7,822	8,096	7,533
Non-current assets held for sale and discontinued operations	35	75	48	35	7,741
Other assets	20,666	20,837	23,813	26,246	27,512
Total Assets	**644,717**	**656,241**	**674,882**	**679,693**	**669,725**

Liabilities and Shareholders' Equity	2011	2010			
	31/3	31/12	30/9	30/6	31/3
Due to banks	50,474	52,485	46,938	49,308	45,103
Due to customers and securities issued	392,705	399,104	406,484	410,946	403,123
Financial liabilities held for trading	37,435	45,045	58,140	56,413	48,350
Financial liabilities designated at fair value through profit and loss	25,201	26,144	26,357	26,430	27,692
Tax liabilities	3,329	3,241	3,020	2,845	3,755
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	9,375
Other liabilities	23,676	20,857	25,918	26,418	24,595
Technical reserves	51,896	50,188	49,585	48,612	47,947
Allowances for specific purpose	4,538	4,624	4,541	4,594	4,772
Share capital	6,647	6,647	6,647	6,647	6,647
Reserves	47,920	45,235	45,265	45,317	46,358
Valuation reserves	-766	-1,054	-1,134	-1,120	-339
Minority interests	1,001	1,020	921	1,593	1,659
Net income	661	2,705	2,200	1,690	688
Total Liabilities and Shareholders' Equity	**644,717**	**656,241**	**674,882**	**679,693**	**669,725**

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

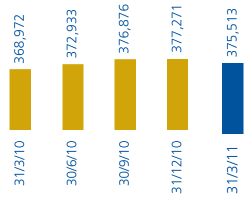
Loans to customers

(millions of euro)

	31.03.2011	% breakdown	31.12.2010	% breakdown	Changes amount	Changes %
Current accounts	33,044	8.8	30,349	8.1	2,695	8.9
Mortgages	164,017	43.7	165,017	43.7	-1,000	-0.6
Advances and other loans	130,015	34.6	132,079	35.0	-2,064	-1.6
Commercial banking loans	**327,076**	**87.1**	**327,445**	**86.8**	**-369**	**-0.1**
Repurchase agreements	**9,303**	**2.5**	**10,703**	**2.8**	**-1,400**	**-13.1**
Loans represented by securities	**18,301**	**4.9**	**18,017**	**4.8**	**284**	**1.6**
Non-performing loans	**20,833**	**5.5**	**21,106**	**5.6**	**-273**	**-1.3**
Loans to customers	**375,513**	**100.0**	**377,271**	**100.0**	**-1,758**	**-0.5**

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

Quarterly development Loans to customers



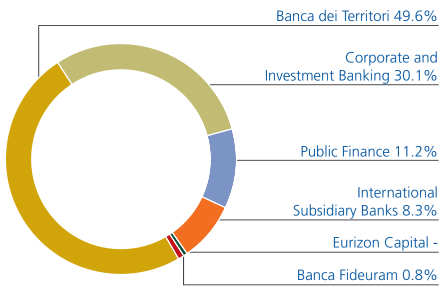
As at 31 March 2011 the Intesa Sanpaolo Group's loans to customers decreased marginally compared to the value recorded at the end of last year, essentially due to the decrease in repurchase agreements and short-term financial loans, while cash loans to customers and loans by way of subscription of securities remained stable, thereby confirming the Group's support for the economic system in which it operates. Total loans to customers exceeded 375 billion euro.
In particular, commercial banking loans (-0.1%) highlight stability in technical forms of advances and other loans (-1.6%), used especially by businesses, and mortgages (-0.6%), confirming the overall stability of investments in residential properties. There was a significant increase of approximately 9% in current accounts during the quarter.
As noted, repurchase agreement transactions, mainly carried out with businesses, dropped by approximately 13 percentage points. Loans represented by securities recorded a 1.6% increase.
A positive element in the overall panorama of loans in the first quarter of 2011 is the decrease in non-performing loans. These remain at significant levels, however, it is important to note the decline both overall (the amounts decreased by 273 million euro in three months) and relatively (the incidence on total loans to customers decreased from 5.6% to 5.5%).
In the domestic medium-/long-term loan market, disbursements to households amounted to over 2.8 billion euro and those to businesses exceeded 2.2 billion euro during the period.
As at 31 March 2011, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 15.6% for total loans, down two-tenths of a point compared to 31 December 2010. This drop is attributable to both the volatility of repurchase agreements with Cassa Compensazione e Garanzia, and the dynamics of medium/long-term loans, which were lower than market trends.

(millions of euro)

	31.03.2011	31.12.2010	Changes amount	Changes %
Banca dei Territori	182,212	180,490	1,722	1.0
Corporate and Investment Banking	110,706	110,779	-73	-0.1
Public Finance	40,975	40,508	467	1.2
International Subsidiary Banks	30,468	30,926	-458	-1.5
Eurizon Capital	114	153	-39	-25.5
Banca Fideuram	2,832	2,812	20	0.7
Total business areas	**367,307**	**365,668**	**1,639**	**0.4**
Corporate Centre	8,206	11,603	-3,397	-29.3
Intesa Sanpaolo Group	**375,513**	**377,271**	**-1,758**	**-0.5**

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

Business areas



Breaking down loans by business areas, Banca dei Territori, which accounts for approximately half the aggregate of the Group's business areas, reported that loans to customers were increasing (+1%) compared to the end of the previous year, mainly attributable to business customers segment. Loans to the public work and infrastructure sector, handled by BIIS, reported positive performance (+ 1.2%), due to the new transactions developed during the period. Corporate and Investment Banking loans (-0.1%) remained substantially stable compared to the end of 2010: the downturn in disbursements to Large and International Corporate and Financial Institution counterparties was counterbalanced by greater repurchase agreement transactions with institutional operators and financial intermediaries. Banca Fideuram loans remained stable, caused by the increase in current accounts which offset the drop in debt securities, while the stock of loans of the International Subsidiary Banks decreased (-1.5%), because of the more cautious policies in the countries invested by the financial crisis. The decrease in Corporate Centre loans (-29.3%) was mainly driven by the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	31.03.2011		31.12.2010		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	7,508	2.0	7,335	1.9	173
Substandard loans	8,808	2.3	8,930	2.4	-122
Restructured loans	3,340	0.9	3,334	0.9	6
Past due loans	1,177	0.3	1,507	0.4	-330
Non-performing loans	**20,833**	**5.5**	**21,106**	**5.6**	**-273**
Performing loans	336,379	89.6	338,148	89.6	-1,769
Loans represented by performing securities	18,301	4.9	18,017	4.8	284
Loans to customers	**375,513**	**100.0**	**377,271**	**100.0**	**-1,758**

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

At the end of the first quarter of 2011, as mentioned just above, the Group recorded a decrease in non-performing loans (-273 million euro), compared to the end of the previous year, which led to a parallel decrease in the incidence of non-performing loans on total loans to customers.
In detail, loans classified as doubtful came to 7,508 million euro as at 31 March 2011, up by 2.4% since the beginning of the year and representing 2% of total loans.
Substandard loans, on the other hand, amounted to 8,808 million euro, down by 1.4% compared to 31 December 2010. Substandard loans declined to 2.3% of total loans.
Restructured loans, amounting to 3,340 million euro, remained stable during the quarter, both in absolute values and in terms of incidence on total loans to customers.
Lastly, Past due loans decreased, amounting to 1,177 million euro, down by approximately 22%, mainly due to the return to performing status of several significant positions of Mediofactoring.

Customer financial assets

(millions of euro)

	31.03.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	417,906	50.9	425,248	51.5	-7,342	-1.7
Indirect customer deposits	428,223	52.2	426,279	51.6	1,944	0.5
Netting [(a)]	-25,088	-3.1	-26,056	-3.1	-968	-3.7
Customer financial assets	**821,041**	**100.0**	**825,471**	**100.0**	**-4,430**	**-0.5**

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

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

Customer financial assets exceeded 821 billion euro as at 31 March 2011, down by 0.5% since the beginning of the year, due to the effect of direct deposits, influenced by a negative trend in current accounts and repurchase agreements and securities lending. On the contrary, indirect deposits recorded growth of 0.5%, benefiting from the increase in assets under administration (+0.9%) and the stability of asset management (+0.1%).
The performance of assets under management is attributable in particular to portfolio management, markedly in the private banking market, and to insurance products, which offset the weakness in demand in the mutual funds segment.

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.

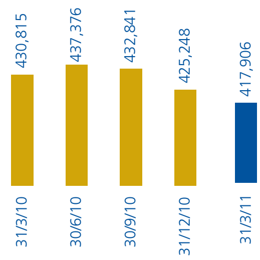
(millions of euro)

	31.03.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	188,693	45.1	196,673	46.2	-7,980	-4.1
Repurchase agreements and securities lending	9,915	2.4	13,111	3.1	-3,196	-24.4
Bonds	126,865	30.4	120,647	28.4	6,218	5.2
of which designated at fair value (*)	*788*	*0.2*	*1,238*	*0.3*	*-450*	*-36.3*
Certificates of deposit	19,472	4.7	19,696	4.6	-224	-1.1
Subordinated liabilities	22,635	5.4	24,166	5.7	-1,531	-6.3
Financial liabilities of the insurance business designated at fair value (*)	24,404	5.8	24,906	5.9	-502	-2.0
Other deposits	25,922	6.2	26,049	6.1	-127	-0.5
of which designated at fair value (*)	*9*	*-*	*-*	*-*	*9*	*-*
Direct customer deposits	**417,906**	**100.0**	**425,248**	**100.0**	**-7,342**	**-1.7**

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

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

Quarterly development Direct deposits



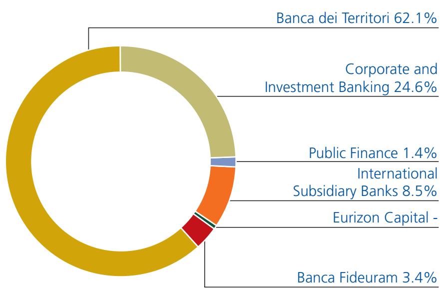
Direct customer deposits amounted to 418 billion euro, down slightly (-1.7%) compared to the values recorded at the end of December 2010.
In detail, current accounts and deposits recorded a decrease of around 4% compared to 31 December 2010 while, nonetheless, confirming a relatively stable, high incidence on total direct deposits and the importance of these elements in the Group's overall funding.
The drop in the demand component should be viewed in relation to customers' repositioning their demand to investment products with greater returns, such as bonds and insurance policies. Bonds reported an increase (+5.2%), confirming their importance within both investors' portfolios and in the Group's overall funding.
Repurchase agreement transactions and securities lending recorded a decrease of about 24 percentage points during the period. This decrease is the result of normal fluctuations in these types of transactions during the year.
Moreover, there was also a drop in subordinated liabilities (-6.3%), while there were less marked drops and substantial stability in the remaining captions that make up direct deposits: certificates of deposit, liabilities in the insurance segment measured at fair value and, lastly, other deposits.
At the end of the first quarter of 2011, the Group's share of direct customer deposits on the domestic market (according to the ECB's harmonised definition) came to 16.8%, down by two-tenths of a point compared to the beginning of the year, mainly due to the repurchase agreement component, following the unwinding of agreements with Cassa di Compensazione e Garanzia and, to a lesser extent, demand deposits.

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Banca dei Territori	214,812	218,319	-3,507	-1.6
Corporate and Investment Banking	85,181	95,028	-9,847	-10.4
Public Finance	4,809	5,757	-948	-16.5
International Subsidiary Banks	29,564	30,259	-695	-2.3
Eurizon Capital	13	12	1	8.3
Banca Fideuram	11,624	12,255	-631	-5.1
Total business areas	**346,003**	**361,630**	**-15,627**	**-4.3**
Corporate Centre	71,903	63,618	8,285	13.0
Intesa Sanpaolo Group	**417,906**	**425,248**	**-7,342**	**-1.7**

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

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which made up over half of the aggregate attributable to the business areas, recorded a 1.6% decrease compared to the start of the year. As previously illustrated, this trend was the result of the recomposition of customer demand portfolios towards more profitable forms of investment. The funding of Corporate and Investment Banking decreased (-10.4%) due to less securities placement (in particular, Banca IMI bonds) and as a result of the drop in liquidity of short-term deposits of Financial Institutions customers. Declining performance was reported by Public Finance (-16.5%) due to the decrease in liquidity on current accounts of public entities, International Subsidiary Banks (-2.3%) and Banca Fideuram (-5.1%). The growth shown by the Corporate Centre (+13%) is attributable to the increase in securities issued, which fully offset the decrease in operations with institutional counterparties.

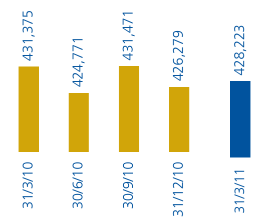
Indirect customer deposits

(millions of euro)

	31.03.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	66,029	15.4	69,904	16.4	-3,875	-5.5
Open-ended pension funds and individual pension plans	3,154	0.8	3,084	0.7	70	2.3
Portfolio management	75,917	17.7	74,249	17.4	1,668	2.2
Life technical reserves and financial liabilities	78,369	18.3	77,136	18.1	1,233	1.6
Relations with institutional customers	10,243	2.4	9,180	2.2	1,063	11.6
Assets under management	**233,712**	**54.6**	**233,553**	**54.8**	**159**	**0.1**
Assets under administration and in custody	**194,511**	**45.4**	**192,726**	**45.2**	**1,785**	**0.9**
Indirect customer deposits	**428,223**	**100.0**	**426,279**	**100.0**	**1,944**	**0.5**

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

Quarterly development Indirect deposits



Indirect customer deposits amounted to 428 billion euro as at 31 March 2011, an increase of almost 2 billion euro (+0.5%) compared to the values as at 31 December 2010.
Assets under management, which account for more than half of the overall aggregate, came to approximately 234 billion euro, stable compared to the end of the previous year (+0.1%). Positive contributions came from portfolio management (+2.2%) and insurance policies (+1.6%) which offset the declining trend of mutual funds (-5.5%). In the insurance segment, the new Intesa Vita, EurizonVita, Sud Polo Vita, Centro Vita Assicurazioni and Fideuram Vita business came to 4.6 billion euro in the period, compared to 4.1 billion euro recognised in the first quarter of 2010, owing to the strong performance of the placement of traditional and unit-linked policies.
The increase in assets under administration (+0.9%) was mainly due to the securities positions of retail customers.

Financial assets and liabilities

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	61,094	71,898	-10,804	-15.0
of which derivatives at fair value	*31,537*	*38,940*	*-7,403*	*-19.0*
Financial assets designated at fair value through profit and loss	36,348	35,549	799	2.2
Financial assets available for sale	64,695	61,607	3,088	5.0
Investments held to maturity	3,001	3,839	-838	-21.8
Total financial assets	**165,138**	**172,893**	**-7,755**	**-4.5**
Financial liabilities held for trading	**-37,435**	**-45,045**	**-7,610**	**-16.9**
of which derivatives at fair value	*-34,102*	*-42,281*	*-8,179*	*-19.3*

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

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 issues designated at fair value, are not represented as these are included in the direct deposits aggregate.
Total financial assets decreased by 4.5%, primarily owing to the performance of financial assets held for trading, which dropped from approximately 72 billion euro to 61 billion euro. In this area, the main portion of the drop is attributable to derivative contracts (decreased by 7 billion euro during the quarter), a decline which was also correlated to a similar reduction in the negative fair values of the contracts under financial liabilities held for trading.
Financial assets available for sale showed an increase (+5%), mainly attributable to quoted bonds.
On the contrary, investments held to maturity decreased (-21.8%).

The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 31 March 2011, 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.
Note that:

– the columns entitled "Income components in case of no transfer (before tax)" show the profit and losses that would have been recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first three months of 2011 if the transfer had not been made;
– the columns entitled "Income components in the period (before tax)" show the profit and losses actually recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first three months of 2011 following the transfer.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.03.2011	Fair value at 31.03.2011	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	3,035	2,850	47	15	1	28
Debt securities	Financial assets held for trading	Financial assets available for sale	77	77	3	2	3	2
Shares and funds	Financial assets held for trading	Financial assets available for sale	102	102	-	-	-	2
Debt securities	Financial assets available for sale	Loans	5,926	4,930	69	46	-141	45
Loans	Financial assets available for sale	Loans	180	179	12	1	-	1
TOTAL			**9,320**	**8,138**	**131**	**64**	**-137**	**78**

If the Group had not elected to reclassify the foregoing financial assets, a total of 268 million euro in greater positive mark-to-market income components would have been recognised during the first quarter, broken down as follows:

– write-off of the negative income components recognised during the year following the 137 million euro transfer. Of this amount, 9 million euro relates to adjustments, 135 million euro to fair value decreases following hedges and 7 million euro to the increase in the Valuation reserves;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 131 million euro. Of this amount, 51 million euro refers to the revaluation of reclassified securities in the income statement, 135 million euro to fair value decreases following hedges and 215 million euro to the increase in the Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 15 million euro would have not been recognised in the first quarter. Of this amount, 12 million euro refers to the amortised cost of the reclassified securities.
On the whole, the reclassified assets would have been written down by a total of 1,182 million euro as at 31 March 2011, of which 244 million euro would have been recognised through profit and loss and 938 million euro through Valuation reserves for financial assets available for sale under Shareholders' equity.
No portfolio transfers were made during the first three months of 2011.
The total effective interest rate attributable to the reclassified securities portfolio is equal to 3.18% (3.3% as at 31 December 2010).

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

(millions of euro)

	31.03.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	49,618	82.7	53,207	85.3	-3,589	-6.7
of which designated at fair value	*22,642*	*37.7*	*22,116*	*35.4*	*526*	*2.4*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	16,248	27.1	15,269	24.5	979	6.4
of which designated at fair value	*13,667*	*22.8*	*13,402*	*21.5*	*265*	*2.0*
Other assets designated at fair value through profit and loss	39	0.1	31	-	8	25.8
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**65,905**	**109.9**	**68,507**	**109.8**	**-2,602**	**-3.8**
Financial liabilities held for trading	**-3,333**	**-5.6**	**-2,764**	**-4.4**	**569**	**20.6**
Net value of financial derivatives	-2,565	-4.3	-3,179	-5.1	-614	-19.3
Net value of credit derivatives	-	-	-162	-0.3	-162	
Net value of trading derivatives	**-2,565**	**-4.3**	**-3,341**	**-5.4**	**-776**	**-23.2**
Financial assets / liabilities, net	**60,007**	**100.0**	**62,402**	**100.0**	**-2,395**	**-3.8**

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 60 billion euro, down 3.8% compared to the end of 2010.
In detail, the decrease was mainly due to the reduction in the stock of bonds, partly offset by the increase in equities and quotas of UCI held for trading and measured at fair value and the increase in financial liabilities held for trading.

Financial assets available for sale

(millions of euro)

	31.03.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	59,054	91.3	56,159	91.1	2,895	5.2
Equities and quotas of UCI	5,609	8.7	5,415	8.8	194	3.6
Securities available for sale	**64,663**	**100**	**61,574**	**99.9**	**3,089**	**5.0**
Loans available for sale	**32**	**-**	**33**	**0.1**	**-1**	**-3.0**
Financial assets available for sale	**64,695**	**100.0**	**61,607**	**100.0**	**3,088**	**5.0**

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

At the end of March 2011, financial assets available for sale amounted to 64.7 billion euro, an increase of over 3 billion euro compared to 31 December 2010.
The caption consists primarily of bonds and other debt securities not held for trading (approximately 91% of the total).
Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Net interbank position

Net interbank position was negative for almost 9 billion euro as at 31 March 2011, compared to a negative imbalance of approximately 10 billion euro at the end of 2010.

Non-current assets held for sale and discontinued operations and related liabilities

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. The assets carried at 31 March 2011, amounting to 35 million euro, consist entirely of real estate assets for imminent sale.

Shareholders’ equity

As at 31 March 2011, the Group’s shareholders' equity, including net income for the period, came to 54,462 million euro compared to the 53,533 million euro at the end of the previous year. The change in shareholders’ equity was primarily due to the performance of reserves and the earned net income for 2011. No changes in share capital occurred in the period.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2010	Change in the period	Valuation reserves as at 31.03.2011	
				% breakdown
Financial assets available for sale	-662	126	-536	70.0
Property and equipment	-	-	-	-
Cash flow hedges	-494	222	-272	35.5
Legally-required revaluations	343	-	343	-44.8
Other	-241	-60	-301	39.3
Valuation reserves	**-1,054**	**288**	**-766**	**100.0**

The Group's share of valuation reserves reported a negative balance dropping to 766 million euro at the end of March 2011 compared to the negative balance of over one billion at the end of 2010. The change during the period is largely due to the increase in the value of financial assets available for sale (whose negative reserve decreased by 126 million euro). The value of cash flow hedges and other reserves also increased, though continuing to record a negative balance.

Regulatory capital

Regulatory capital and related capital ratios as at 31 March 2011 have been determined by applying the Bank of Italy’s instructions in accordance with Basel 2 provisions.
It is noted that, following obtainment of authorisation from the Supervisory Authority, the Intesa Sanpaolo Group calculates capital requirements for credit risk and counterparty risk, respectively, according to the IRB approach for the Retail Mortgage segment (Residential mortgages to private individuals) on a scope consisting of the Parent Company and the main network banks, effective 30 June 2010, and according to the advanced internal rating-based approach (AIRB) in regards to the regulatory trading portfolio "Exposures to corporates" for the Parent Company, network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito, effective 31 December 2010.
In addition, in early 2010 the Intesa Sanpaolo Group received authorisation to use the internal AMA to determine capital requirements for operational risks on an initial scope which comprises the main Group companies, effective from reporting as at 31 December 2009.

It is noted that, effective from 31 December 2010, the new methods for determining regulatory capital, as a result of ratification of the CRD II Directive, call for the exclusion of the nominal value of preference shares issued by the Group.

(millions of euro)

Regulatory capital and capital ratios	31.03.2011	31.12.2010
Regulatory capital		
Tier 1 capital	32,142	31,175
of which: instruments not included in Core Tier 1 ratio (*)	*5,011*	*5,016*
Tier 2 capital	14,904	16,348
Minus items to be deducted (**)	-3,842	-3,721
REGULATORY CAPITAL	**43,204**	**43,802**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**43,204**	**43,802**
Risk-weighted assets		
Credit and counterparty risks	282,013	289,172
Market risks	14,783	15,385
Operational risks	27,195	27,175
Other risks (***)	8,412	426
RISK-WEIGHTED ASSETS	**332,403**	**332,158**
Capital ratios %		
Core Tier 1 ratio	8.2	7.9
Tier 1 ratio	9.7	9.4
Total capital ratio	13.0	13.2

(*) This caption includes preferred shares and, as of 31 December 2010, savings shares and preference ordinary shares.

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

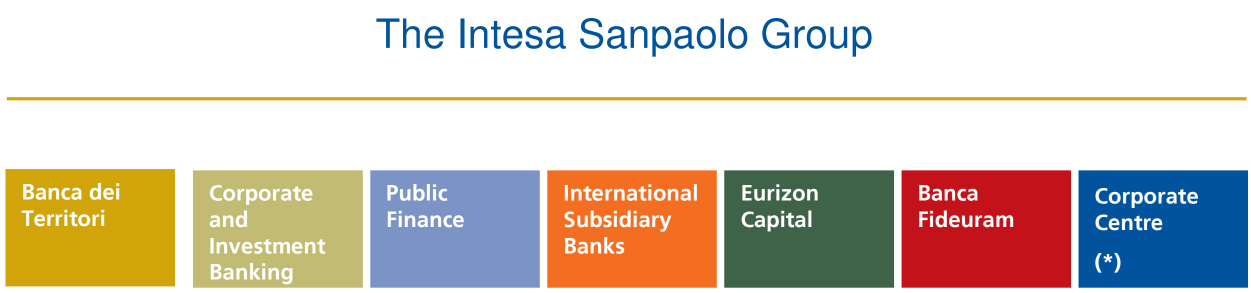
(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according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

As at 31 March 2011, total regulatory capital came to 43,204 million euro, compared to risk-weighted assets of 332,403 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. Risk-weighted assets include an amount of approximately 8 billion euro to supplement the floor required by the Supervisory Authority relating to the calculation of the requirements according to internal methods. As these methods reported lower riskiness of assets – reflected in the drop in credit and counterparty risk-weighted assets – the requirements were supplemented taking as reference 90% of the same figure calculated with a view to Basel 1 (floor). Regulatory capital takes into account ordinary operations and an estimate of the dividends to be paid on 2011 net income, the amount of which has been determined on a conventional basis as one-fourth of the dividends distributed on the 2010 net income (258 million euro of the total 1,033 million euro).
The Total capital ratio stood at 13.0%, while the Group's Tier 1 ratio was 9.7%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 8.2%.
The increase in the Core Tier 1 and Tier 1 ratio compared to 31 December 2010 derives from ordinary operations as well as the sale of Cassa di Risparmio della Spezia to Crédit Agricole and of 11 branches of Banca CR Firenze (+9 basis points on the Core Tier 1 ratio) and the removal of negative filters on the effects deriving from the detaxation of goodwill (+14 basis points on the Core Tier 1 ratio), based on the specific notification of the Bank of Italy as a result of the provisions of the so-called "Milleproroghe Decree" on the matter of deferred tax assets.
The reduction in the Total Capital ratio can be attributed to the repayment of several subordinated liabilities which were previously calculated in Tier II Capital.

Lastly, the Bank of Italy, in a Regulation issued on 18 May 2010, provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group had elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 March 2011 account for this measure (the effect on the Core Tier 1 ratio is +7 basis points).

Breakdown of consolidated results by business area and geographical area

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



(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2011.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first quarter; it also illustrates income statement figures, the main balance sheet aggregates and the most significant profitability ratios.
It should be noted that Division figures for the compared periods have been restated to reflect the new scopes, where necessary.

Allocated capital was determined in accordance with the instructions issued by the Bank of Italy in compliance with Basel 2 regulatory provisions.
Value creation, expressed in terms of EVA®, was calculated net of merger and restructuring-related charges and of the economic effects of purchase price allocation pursuant to IFRS 3.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
31.03.2011	2,376	902	106	590	69	198	-35	4,206
31.03.2010	2,522	947	75	557	66	196	-118	4,245
% change [(a)]	-5.8	-4.8	41.3	5.9	4.5	1.0	-70.3	-0.9
Operating costs								
31.03.2011	-1,402	-220	-19	-286	-32	-84	-200	-2,243
31.03.2010	-1,408	-207	-21	-282	-33	-84	-214	-2,249
% change [(a)]	-0.4	6.3	-9.5	1.4	-3.0	-	-6.5	-0.3
Operating margin								
31.03.2011	974	682	87	304	37	114	-235	1,963
31.03.2010	1,114	740	54	275	33	112	-332	1,996
% change [(a)]	-12.6	-7.8	61.1	10.5	12.1	1.8	-29.2	-1.7
Net income								
31.03.2011	258	387	51	86	19	53	-193	661
31.03.2010	298	416	30	115	15	48	-234	688
% change [(a)]	-13.4	-7.0	70.0	-25.2	26.7	10.4	-17.5	-3.9
Loans to customers								
31.03.2011	182,212	110,706	40,975	30,468	114	2,832	8,206	375,513
31.12.2010	180,490	110,779	40,508	30,926	153	2,812	11,603	377,271
% change [(b)]	1.0	-0.1	1.2	-1.5	-25.5	0.7	-29.3	-0.5
Direct customer deposits								
31.03.2011	214,812	85,181	4,809	29,564	13	11,624	71,903	417,906
31.12.2010	218,319	95,028	5,757	30,259	12	12,255	63,618	425,248
% change [(b)]	-1.6	-10.4	-16.5	-2.3	8.3	-5.1	13.0	-1.7

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

[(a)] The change expresses the ratio between 31.03.2011 and 31.03.2010.

[(b)] The change expresses the ratio between 31.03.2011 and 31.12.2010.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	1,404	1,479	-75	-5.1
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	845	841	4	0.5
Profits (Losses) on trading	25	18	7	38.9
Income from insurance business	101	183	-82	-44.8
Other operating income (expenses)	1	1	-	-
Operating income	**2,376**	**2,522**	**-146**	**-5.8**
Personnel expenses	-812	-818	-6	-0.7
Other administrative expenses	-588	-588	-	-
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-1,402**	**-1,408**	**-6**	**-0.4**
Operating margin	**974**	**1,114**	**-140**	**-12.6**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-7	-18	-11	-61.1
Net adjustments to loans	-431	-492	-61	-12.4
Net impairment losses on other assets	-3	-1	2	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**533**	**603**	**-70**	**-11.6**
Taxes on income from continuing operations	-223	-235	-12	-5.1
Merger and restructuring-related charges (net of tax)	-3	-12	-9	-75.0
Effect of purchase price allocation (net of tax)	-49	-57	-8	-14.0
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-1	-1	
Net income	**258**	**298**	**-40**	**-13.4**
Allocated capital	10,201	12,046	-1,845	-15.3
Profitability ratios (%)				
Cost / Income ratio	59.0	55.8	3.2	5.7
ROE annualised	10.3	10.0	0.2	2.2
EVA® adjusted [(a)] (millions of euro)	100	117	-17	-14.5

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Loans to customers	182,212	180,490	1,722	1.0
Direct customer deposits	214,812	218,319	-3,507	-1.6
of which: due to customers	*132,430*	*135,638*	*-3,208*	*-2.4*
securities issued	*63,810*	*63,722*	*88*	*0.1*
financial liabilities designated at fair value through profit and loss	*18,572*	*18,959*	*-387*	*-2.0*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

Banca dei Territori closed the first quarter of 2011 with operating income of 2,376 million euro, accounting for 56.5% of the Group's consolidated operating income, down 5.8% on the same period in 2010. In further detail, there was a fall in net interest income (-5.1%), mainly deriving from the decrease in loans to customers following the increase in market rates, which translated into a lower mark-up. The benefits of hedging activity were also negative, decreasing compared to the first three months of 2010. Net fee and commission income increased slightly compared to the figure for the same period of 2010 (+0.5%) due to the positive performance of asset management and insurance products. The other income components that showed decreases include

income from the insurance business, which dropped from 183 million euro in the first quarter of 2010 to 101 million euro in the first quarter of 2011, due to a decrease in financial margins. Operating costs, amounting to 1,402 million euro, fell slightly (-0.4%) compared to the same period of the previous year. The operating margin came to 974 million euro, down 12.6% on the first quarter of 2010. After lower net adjustments to loans (-12.4%) and lower net provisions for risks and charges (-61.1%), income before tax from continuing operations was 533 million euro, down 11.6%. Lastly, after allocation of merger and restructuring-related charges to the Division of 3 million euro and the economic effects of purchase price allocation for 49 million euro, net income amounted to 258 million euro, down 13.4%.
Analysing quarterly development, the first quarter of 2011 reported an operating margin up 6% on the fourth quarter of 2010, thanks to significant cost savings which more than offset the downturn in revenues. The latter was influenced by the lower benefits from hedging activities and fewer calendar days. Net income more than doubled, also benefiting from the decrease in net adjustments to loans.
The Division absorbed 40% of Group capital, less than the level reported for the first three months of 2010. In absolute terms, the capital, amounting to 10,201 million euro, fell by 15.3%, due to the containment of assets at risk, mainly associated with the retail and business segments. As a result of the trend described for allocated capital and net income, annualised ROE came to 10.3%, up slightly on the first quarter of 2010. Value creation came to 100 million euro, compared to the 117 million euro achieved in the same period in the previous year.
The balance sheet figures at the end of March 2011 showed loans to customers of 182,212 million euro, increasing (+1%) compared to the previous year end, mainly due to business customers. Direct customer deposits totalled 214,812 million euro, down (-1.6%) from the beginning of the year, mainly due to the decrease in demand deposits, which customers gradually transferred towards more profitable types of investments (bonds and insurance products).

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Household, Personal, Small Business, Private Banking and Small and Medium Enterprise customers, creating value through: - widespread local coverage - a focus on the specific qualities of local markets - exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Handles the Household (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and Group loan facilities under 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), the consumer credit segment (Moneta and Neos Finance) and in the management of electronic payments (Setefi) and trust services
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Over 5,500 branches, including Retail, Business and Private-Banking branches, distributed broadly throughout Italy. As at 31 March 2011, the territorial structure is divided into 8 Regional Governance Centres that coordinate 26 Areas/Network Banks (27 in April), designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

As part of the agreement entered into on 17 February 2010 by Intesa Sanpaolo and Crédit Agricole, the sale of CR La Spezia to the Cariparma FriulAdria Group was finalised on 3 January. The additional 96 branches sold to the same group in compliance with the provisions set down by the Italian Antitrust Authority were also excluded from the scope of consolidation: these are 11 branches of CR Firenze, the sale of which was finalised at the end of March, and 85 branches of Intesa Sanpaolo and CR Veneto, which will be sold in May.
In order to strengthen the oversight of activities and relations with the local areas of operations, the scope of responsibility of the Areas of the Regional Governance Centres were redefined, while creating new Territorial Areas, which rose from 22 at the end of December 2010 to the current 27.

Retail Marketing Department

Investment	In the first quarter of 2011, the range of investment products was enriched through the marketing of a new sub-fund of the "Eurizon Focus Capitale Protetto", which enables modest growth of invested capital over a time span of six years, with capital protection on maturity. Relating to the activities supporting the Progetto Risparmio (Savings Project), the communications initiatives in collaboration with the newspaper "Il Sole 24 Ore", aimed at strengthening the Group's position as the leader in asset management. Alongside the collaboration on the dedicated portal "24 Ore di Risparmio", conceived as a qualified, authoritative informational and educational service on issues regarding saving, starting from February the monthly newsletter, for retail customers who signed up for the service on the Internet, also included contributions on issues regarding the world of saving, edited by the editorial staff of Il Sole 24 Ore.
Current accounts	With regard to current accounts, during the quarter, "Conto Facile" was launched, the first "tailor-made" product which is part of a new modular range of banking services for retail customers, which uses a single sales platform to customise the offer based on the customer's characteristics, specific needs and operations. With "Conto Facile" customers can select the set of products and services most suitable to their needs, for a total monthly charge which includes the fees for the individual products and services activated, taking into account promotions and discounts which will systematically be added to the offer.
Cards	By virtue of an exclusive agreement with Alitalia, starting from February, the "Intesa Sanpaolo Alitalia" card is available to customers that are members of the MilleMiglia loyalty programme, to facilitate the accumulation of miles and offer discounts and benefits on flight with the airline.
Services	During the quarter Intesa Sanpaolo entered into an agreement with Western Union Company, the world leader in money transfer services, to offer Western Union® Money Transfer℠ services. As a result of these services, starting from June, customers holding an account or a prepaid card can remit money abroad using the Group's ATMs, 24-hours a day, at advantageous prices. Starting in the autumn, 700 internet workstations will also be set up at branches, and the service will also be extended to the web and mobile banking channels. To simplify the administrative and operational management of inheritance matters, and improve relations with heirs, the new "Inheritance Process" was launched, with the establishment of an Inheritance Competence Centre for Banca dei Territori, in charge of managing several phases of cases forwarded by the branches, and providing assistance on administrative aspects and basic legal and tax information.
Loans	During the quarter, as part of the "Prestito Multiplo", the loan to finance personal and/or household expenses, the "Prestito Auto" was launched. This is a loan for purchasing a car, for amounts from 2,000 euro to 30,000 euro, with a term of from 24 to 72 months, with no preliminary investigation of application fees, with an attractive interest rate compared to standard rates and the possibility of repaying the amount in personalised instalments.
Protection	The insurance offer was enriched with the new "Polizza ProteggiSalute" policy, to cover medical expenses for illness or accidents. This new, simple and innovative product is modular, offering the possibility to select various levels of guarantees based on financial resources and insurance sensitivity. The "Prestito ProteggiMutuo" range, aimed at supporting the single premium of the "ProteggiMutuo Insurance Policy" entered into to cover residential mortgages, was expanded with the introduction of the floating-rate version, so that proposals made are consistent with the type of mortgage rate selected by customers.

Small Business Marketing Department

Deposit products

For newly-acquired Small Business customers and those who contribute new financial assets, the "Soluzione Business 2,60%" has been set up. This is a time deposit on the customer's current account which meets the need to optimise corporate liquidity management, keeping temporary excess liquidity under custody and increasing its value over a defined time span, to then allocate it, at preset maturities, to the production cycle or to investment programmes, which are expected to last for several months.
The new product is marked by simplicity, accessibility and flexibility. It provides a gross return of 2.60% on the amounts deposited for 13 months, without deposit opening, management or closure fees, an entrance threshold of 50,000 euro and a maximum subscription ceiling of 5 million euro, with the security of a base interest rate of 1%, in the event of early withdrawal.

Loans

The range of loan products was enriched during the quarter with the introduction of "Tandem Impresa Più" and "Tandem Condominio Più", dedicated to Business and Small Business customers (short and medium-term loans) and condominiums (medium-term loans).
"Tandem Impresa Più" is a loan repaid in instalments, for companies purchasing goods or services with suppliers that have an agreement with or are approved by the bank, which provides advantages for both parties: customer companies may receive a loan of up to 100% of the invoice, with zero interest, repaying only the principal in monthly instalments, as the interest portion is paid by the supplier that has an agreement or is approved by the bank. The supplier receives support for its sales and collects the entire amount of the supply in a lump sum, net of the interest paid in advance.
"Tandem Condominio Più" is a fixed-rate, medium-term loan repaid in monthly instalments. The principal is borne by the condominium, which can benefit from tax deductions provided by law on building renovations, while the interest is charged to the company providing the services.

In the area of farming credit, confirming the close relationship of the Group banks with customers in the agrifood and agroenergy sectors, the "Progetto Radici" was launched, which involves the creation of "Agribusiness Points" within branches, as an element of attention and confidence for customers.

Agreements

For 2011, Intesa Sanpaolo renewed the national collaboration agreement with the Italian trade association Confcommercio, signed in 2009. The goal of this initiative is to continue guaranteeing support to 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 flexible financing, and fostering the creation of recapitalisation programmes and new projects.
The agreement confirms the provision by the bank of total loans up to 3 billion euro to member companies, also introducing the possibility of customising the commercial proposal, implementing the framework agreement at local level by entering into agreements with Confcommercio local associations and, possibly, Credit Guarantee Consortia.

At the end of February, Intesa Sanpaolo entered into an agreement with Rete Imprese Italia, an association which coordinates the leading Italian Business Confederations (Confcommercio, Confartigianato, CNA, Casartigiani and Confesercenti), for the purpose of ensuring the utmost support to small businesses at a time when the economic trend remains difficult.
The agreement, which involves 2.6 million companies operating in the commerce, services and crafts industries, with over 11 million workers, makes 5 billion euro in loans available, for the purpose of rebalancing financial operations, recapitalising and supporting working capital and company liquidity.
The agreement involves Credit Guarantee Consortia in monitoring the performance of the loans guaranteed, and its strength lies in its flexibility, providing loans throughout the country, by identifying a network of local contacts and attributing high levels of autonomy to the Area structures in defining contents and conditions of local agreements based on specific needs.

Intesa Sanpaolo and the Consorzio Agrario of Cremona have developed, through Agriventure, an initiative to support the agrifood industry, thanks to which the over 3,000 members of the Consortium can take advantage of a series of financial products at special conditions, to support operating expenses and costs for purchasing production factors.

Business Marketing Department

Loans	As regards short-term loans, the measures under the "SME Guarantee Fund", set up by law 662/96 to facilitate access to credit by small and medium enterprises through the granting of a public guarantee, were extended to facilities for the purpose of divesting portfolios and advances on invoices. The guarantee may not exceed 1.5 million euro as the pro-tempore total amount guaranteed per company, and its coverage applies at a percentage varying from 60% to 85% of the loan.
Internationalisation	In order to support export strategies of Italian SMEs, an innovative product was set up, involving the purchase of short-term export trade receivables without recourse, by hedging the risk of default of foreign debtors, while offering customer companies the opportunity to factor said receivables in order to finance working capital. During the quarter, the Business Internationalisation Unit of the Corporate and Investment Banking Division developed the "Open Horizons" programme, which provides dedicated advisory and banking services to corporations and businesses that intend to expand their business to international markets. In January Banca CR Firenze and Promofirenze entered into an agreement to provide local companies interested in expanding abroad with operational, IT and financial support in the internationalisation process.
Agreements	The agreement with Compagnia delle Opere was renewed, based on which the over 34,000 profit and non-profit member companies and their employees can receive banking products and services at advantageous conditions: these involve current accounts dedicated to private individuals, microbusinesses and SMEs and loans set up according to varying needs, from "Presto Business" to loans for liquidity and investment management, to recapitalisation products.
Policies	In January, distribution of the "Protezione Patrimonio Executive & Company" policy was launched by the insurance company Arch Insurance Europe Ltd. This policy, which is targeted to all corporations, cooperative companies, consortiums, associations and foundations, insures the company and its directors, protecting company, personal and family assets. This offers directors, statutory auditors and executives protection from losses deriving from illegal acts committed in carrying out their duties, and covers the costs of legal assistance, expenses for participating in investigations, and damage to image.

Intesa Sanpaolo Private Banking

In the first quarter of 2011, Intesa Sanpaolo's Private Banking operations proceeded in accordance with the consolidated strategic guidelines: innovating commercial offerings, focusing commercial action on asset management and the development of synergies with other markets, and brand promotion communications.
Offerings for customers were expanded with the launch of the for-pay Private Advisory service (specifically dedicated to high-net-worth customers) and the Securities Lending service. The range of funds and SICAVs placed was expanded with the launch of a partnership with a leading British investment house. The Private Advisory service consists in analysing the customer's portfolio, then formulating proposals to optimise allocation of the portfolio. The service also provides customers with the opportunity to interact with the central asset management structure, through their private banker. By subscribing to Securities Lending, customers authorise the bank to borrow their securities without being subjected to any operating restrictions. Therefore, customers may use their securities at any time, retaining the economic benefits related to the securities lent. On maturity of the loan, which has a term of one day and is renewed from day to day, the customer receives a consideration as compensation for lending the securities.
Marketing focused on managed products as well as the placement of Group bonds and certificates, carried out in partnership with Banca IMI. During the period, initiatives aimed at developing synergies with the retail segment of Banca dei Territori and searching for potential new business opportunities for the Group continued, with specific attention to developing synergies with the SME and Mid and Large Corporate segments.
In the first quarter of 2011, brand promotion communications also continued, through intense media presence, the organisation of events throughout the country and selected sponsorships. Intesa Sanpaolo Private Banking was nominated by Euromoney magazine, a leading publication for international financial and banking markets, as the best Italian private bank in 2010, standing out due to the quality of its customer relations and its wide range of financial products and advisory services offered.
Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 39 million euro in the first quarter of 2011, up 36.4% compared to the same period of 2010, as a result of the growth in revenues (+15.7%) driven by net fee and commission income (+17.1%).

Product companies

From the beginning of 2011, as a result of the changes in the scope of operations of Mediocredito Italiano and in the service model with the Banca dei Territori Division, the direct operations of the company were expanded, with the resulting increase in disbursements which more than offset the expected drop in the outsourced analysis on behalf of Group networks. In the first quarter of 2011, Mediocredito Italiano disbursed a total of 525 million euro in new loans, marking an increase of approximately 11% compared to the same period of the previous year. The transactions channelled through Intesa Sanpaolo networks represented 96% of the total amount disbursed. For the reasons set forth above, the outsourced analysis on behalf of network banks decreased, with approvals worth 29 million euro granted compared to 382 million euro in the first quarter of 2010. As regards transactions guaranteed by the SME Guarantee Fund (Law 662/96), over 100 loan applications were accepted, for approximately 90 million euro, continuing the growth trend which began in the previous year.
Nova+, the product dedicated to supporting investments in innovation and research, was updated during the quarter, collecting loan applications for approximately 150 million euro, with new approvals or disbursements of over 54 million euro.
Operations of the Specialised Desks remained intense during the period: during the quarter, 515 million euro in loan applications was received and 153 million euro was disbursed (of which 128 million euro in the renewable energy sources sector).
In the first quarter of 2011, Mediocredito Italiano reported an operating margin of 41 million euro, up on the same period last year (+12.7%), mainly due to higher net interest income. The company closed the first quarter of 2011 with a loss of 3.5 million euro, compared to a net income of 2.1 million euro earned in the first three months of 2010, due to higher adjustments to loans.

Consumer credit activities are carried out through Moneta and Neos Finance.
Moneta closed the first quarter of 2011 with a total amount financed of 464 million euro, up by 18.3% compared to the same period of 2010. In detail, the personal loans segment recorded an increase of 25.7%, owing in part to the promotional campaigns launched from the end of 2010. By contrast, there were declines in assignment of one-fifth of pension/salary (-6.6%) and credit cards (-22.1%), the latter partly due to the start of discontinuation of the product. Moneta’s operating margin came to 13 million euro, down 2.4%.
Neos Finance closed the first three months of 2011 with a total amount financed of 482 million euro, up by 7.1% compared to the first quarter of 2010. The personal loans, special-purpose loans, assignment of one-fifth of pension/salary and leasing segments improved (by +30.8%, +15.5%, +43.5% and +11%, respectively). Only car loans (which, however, benefited from the positive effects of government incentives in the first quarter of the previous year) and credit cards declined. Neos Finance's operating margin came to 26 million euro, an increase of 4.1% on the same period of 2010.
Setefi specialises in managing electronic payment systems. Strategic decisions define this company as an independent “business unit” for acquiring, which constitutes the company’s main business, as the issuer of the Moneta credit cards and as a hub concentrating all activities relating to cards and POS (in particular, Setefi is the issuing manager and single processor).
The operations carried out during the period focused steady attention on maintaining and developing customers and service levels (in line with market best practice) as well as suitable levels of security for transactions.
Lastly, the original goal of developing process synergies between card and revolving credit management, which in 2008 gave rise to the Intesa Sanpaolo’s contribution of Setefi to Moneta as part of a single large container of consumer credit activities, did not actually occur. Taking account of the expected evolution of Setefi, its positioning was reconsidered. Therefore, it was decided that Intesa Sanpaolo would reassume direct control of the company, through a partial demerger of the 100% investment held by Moneta to the Parent Company, approved by the Management Board of Intesa Sanpaolo on 18 January 2011, previously authorised by the Bank of Italy. This operation is likely to be finalised by June 2011.
In the first quarter of 2011, Setefi recorded a significant increase in operating margin compared to the same period of 2010, from 30 million euro to 38 million euro (+27.2%), linked to the development of operations in terms of credit cards managed, transaction volumes and the number of POS installed. Moreover, the company’s policy is aimed at maintaining an efficient cost structure.

Banca Prossima

Banca Prossima operates in the non-profit sector through 53 local branches and 130 specialists distributed throughout Italy. During the first quarter of 2011 the Bank continued to acquire new customers for the Group within the non-profit world. In order to further reinforce its role as the bank of choice for the non-profit sector, new products, services and initiatives aimed at meeting the pressing needs of non-profit firms were created. Specifically, we note the “Salvastipendi” initiative, targeted to cooperatives and socially-oriented enterprises to guarantee regular payment of salaries to employees. This is a range of financial solutions (factoring of receivables and/or cash credit lines) guaranteed by Cooperfidi Italia, with the requirement that the amounts disbursed be used to pay salaries. The “Terzo Valore” platform was also issued, through which non-profit organisations may turn to individuals or legal persons to obtain the funding necessary to achieve their projects. During the quarter, the new current account “Conto Prossima Menù” was also launched. This account offers non-profit organisations the opportunity to select, from a wide range of options, the account conditions that best meet their needs. The completion of the insurance range for non-profit organisations continued, with three new policies (“Prossima Sicura – Volontariato”, “Prossima Sicura – Mandato di prodotto” and “Prossima Sicura - Polizza Protezione Patrimonio Executive & Company”). Moreover, new investment opportunities were offered through bonds dedicated to legal persons and products for enhancing the liquidity and capital of organisations (Stars Cash Liquidity Fund). Lastly, a new short-term and a new medium/long-term loan targeted to socially-oriented enterprises have been set up, with direct guarantees from the SME Guarantee Fund pursuant to Law 662/96, and marketing was begun on “Ricap per le ONP”, a loan to support the capital strengthening process of cooperatives and socially-oriented enterprises, through which a loan is disbursed in an amount correlated to the capital increase effectively subscribed by shareholders/members.

Insurance and Pension companies

During the first quarter of 2011, EurizonVita reported income before tax from continuing operations of 35 million euro, down compared to 84 million euro in the same period of 2010, primarily owing to the negative performance of the financial management, which in the first three months of the previous year benefited from capital gains on the sale of securities. At the end of March 2011 the insurance policies portfolio amounted to 27,410 million euro, more or less unchanged from the beginning of the year. In the first three months of 2011, EurizonVita recorded gross life and non-life premiums underwritten (for both insurance products and policies with investment content) of 1,894 million euro, substantially stable compared to the same period in the previous year. New life business amounted to 1,839 million euro in premiums underwritten (+1.7% on the first quarter of the previous year).

Sud Polo Vita reported an operating margin of 8 million euro, compared to 18 million euro in the first three months of 2010, as a result of the decrease in income from the insurance business, attributable to the decline in premiums and payments relating to insurance contracts. New business decreased by 16.5% compared to the same period in 2010.

Centrovita Assicurazioni reported income before tax from continuing operations of 8 million euro, down compared to the 15 million euro in the first quarter of the previous year, due to the poor performance of financial management attributable to securities valuation losses. In terms of new business, the company showed significant progress owing to the inflows of class III products.

Intesa Sanpaolo Vita, formerly Intesa Vita, reported income before tax from continuing operations of 11 million euro, down compared to the 31 million euro in the first three months of the previous year, mainly in relation to the decline in the financial margin on separate management, attributable to capital losses on investments. New business increased around 39% compared to the level recorded for the first three months of the previous year.

As at 31 March, the assets managed by Intesa Sanpaolo Previdenza (formerly Intesa Previdenza) came to 1,332 million euro, of which 1,102 million euro consisted of open-ended funds (+0.4% compared to the end of December 2010) and 230 million euro of closed-ended funds (up by 5.6% from the beginning of the year). Quarterly net inflows were positive for both types of funds.

At the end of March 2011, Intesa Previdenza had over 246,000 pension positions under management, of which about 140,000 attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	490	465	25	5.4
Dividends and profits (losses) on investments carried at equity	-	-12	-12	
Net fee and commission income	222	241	-19	-7.9
Profits (Losses) on trading	183	246	-63	-25.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	7	7	-	-
Operating income	**902**	**947**	**-45**	**-4.8**
Personnel expenses	-101	-94	7	7.4
Other administrative expenses	-118	-111	7	6.3
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-220**	**-207**	**13**	**6.3**
Operating margin	**682**	**740**	**-58**	**-7.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-3	-1	2	
Net adjustments to loans	-88	-100	-12	-12.0
Net impairment losses on other assets	-9	-1	8	
Profits (Losses) on investments held to maturity and on other investments	-2	-	2	-
Income (Loss) before tax from continuing operations	**580**	**638**	**-58**	**-9.1**
Taxes on income from continuing operations	-192	-220	-28	-12.7
Merger and restructuring-related charges (net of tax)	-1	-2	-1	-50.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**387**	**416**	**-29**	**-7.0**
Allocated capital	8,527	9,333	-806	-8.6
Profitability ratios (%)				
Cost / Income ratio	24.4	21.9	2.5	11.4
ROE annualised	18.4	18.1	0.3	1.8
EVA® adjusted [(a)] (millions of euro)	181	192	-11	-5.7

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Loans to customers	110,706	110,779	-73	-0.1
Direct customer deposits	85,181	95,028	-9,847	-10.4
of which: due to customers	*31,036*	*33,329*	*-2,293*	*-6.9*
securities issued	*53,326*	*60,426*	*-7,100*	*-11.7*
financial liabilities designated at fair value through profit and loss	*819*	*1,273*	*-454*	*-35.7*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

The Corporate and Investment Banking Division began the first quarter of 2011 with increased competencies and a broad diversification of business portfolio and activities.
In the first three months of 2011, the Division recorded operating income of 902 million euro (representing 21% of the consolidated total for the Group), down -4.8% on the first three months of 2010. In detail, net interest income reached 490 million euro, demonstrating positive growth (+5.4%) in a market that remains difficult and characterised by high-level competition on the reference markets.
The positive trend was driven in particular by the increase in average volumes of loans, sustained specifically by operations of the structured finance, leasing and factoring product companies, in addition to the positive contribution of the assets relating to

Banca IMI's HFT & AFS portfolios, which benefited from greater interest and active management in the finance and capital management segment.

Net fee and commission income, amounting to 222 million euro, decreased by 7.9%, attributable to lower commission returns linked to new investment banking transactions. On the contrary, the commercial banking, transaction banking and trade finance segments appear stable. Profit on trading, amounting to 183 million euro, was down 25.6% on the first three months of 2010, due to the lower contribution from the activities in the Banca IMI capital markets business area and the proprietary trading business unit, whose activities continue to be affected by a risk containment policy. Operating costs amounted to 220 million euro, and recorded growth compared to the first quarter of 2010 (+6.3%). The cost/income ratio, 24.4%, increased by 2.5 percentage points, and was consistent overall with the mix of transactions, lending/funding and investment banking activities managed by the Division. As a result of the trend in revenues and costs described above, the operating margin, amounting to 682 million euro, decreased 7.8%. Income before taxes from continuing operations, 580 million euro, decreased by 9.1%, despite the lower adjustments to loans (-12 million euro), confirming the effective management of the loan portfolio structure and careful risk management. Lastly, net income, which amounted to 387 million euro, was down 7% on the same period of the previous year.

At the quarterly level, the first quarter of 2011 showed a decrease in operating income compared to the fourth quarter of the previous year (-4.6%), due to the significant drop in net fee and commission income and net interest income, only partly offset by the positive trend in profits on trading. It is noted that the trend in revenues is affected, on the one hand, by the reduction in average volumes managed, primarily in Banca IMI's AFS and trading portfolios, which resulted in a drop in net interest income, while the comparison of net fee and commission income reflects the significant collections on important investment banking and structured finance operations closed in the fourth quarter of 2010. The performance of revenues and operating costs (-3.9%) resulted in a decrease in operating margin (-4.9%). Net income increased slightly also owing to lower adjustments to loans and provisions for risks and charges.

The Division absorbed 34% of Group's capital, down slightly on the level recorded in the first quarter of 2010. The value of capital, amounting to 8,527 million euro, decreased: the reduction is attributable to both lower credit risk associated with loans to Mid-Corporate and Large and International Corporate customers, and to lower market risk associated with corporate finance activities carried out by capital markets. The sector's performance, along with lower amount of capital absorption, was reflected in an increase in annualised ROE, which rose from 18.1% to 18.4%. EVA® reached 181 million euro, down on the corresponding period of the previous year.

The Division's intermediated volumes declined compared to the end of December 2010 (-4.8%). Loans to customers remained stable (-0.1%): in this category, there was a slight downturn in disbursements to Large and International Corporate and Financial Institution counterparties, counterbalanced by greater repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. On the contrary, direct deposits fell (-10.4%), affected by both the decrease in liquidity in short-term deposits of leading Financial Institution customers and by the lower development of transactions in securities, with specific reference to the placement of bonds by Banca IMI.

Business	Corporate and investment banking, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations
Organisational structure	
Large & International Corporate	The Department is charged with managing relationships with Italian and international large corporate customers with subsidiaries in Italy through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets
Mid Corporate	The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Business Internationalisation Unit	The Department is responsible for international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction (formerly Financial Institutions)	The Department is responsible for relations with Financial Institution customers, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody).
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-long term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	Responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market And primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the company Leasint and Centro Leasing
Distribution structure	It draws on 54 domestic branches. At the international level, the Corporate and Investment Banking Division operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking activity

Large & International Corporate and Mid Corporate

In the first quarter of 2011, in terms of use, volumes of corporate customers increased slightly, especially regarding short-term loans. The level of use of these lines of credit was higher than the system average, specifically for the Large Italy segment, confirming the preference for the Intesa Sanpaolo Group shown by corporate firms, as a result of established relationships and a constant, pro-active focus on the customer.
For Mid-Corporate customers, the trend of greater use of lines of credit shown by the market was confirmed, most specifically for the international component, where the increase in the level of use was considerable, owing in part to the implementation of the Division project that fosters internalisation in terms of both operational support for the customer and greater credit capacity. The trend of average improvement in the quality of the loans portfolio continued, as a result of a Group policy of withdrawal from

higher risk positions with a view to value creation over the long term. As a result of constant attention to risk and balanced development policy for loans to customers, the share of wallet was maintained at over 24% for the amounts used, with particularly strong performances in the International Corporate segment.
In the first quarter of 2011 a total of 12 structured finance and investment banking transactions were closed in the Mid-Corporate Division compared to 10 transactions closed in the first three months of 2010. This confirms the recovery of extraordinary corporate finance activity, especially concentrated in structured finance and M&A transactions.
The initiatives launched during the quarter include: the extension to the entire Mid-Corporate Division of the pilot programme to assess the competitive positions of companies with the aim of allowing managers to use a qualitative and quantitative analysis model to identify the marketing actions most appropriate to each company; the continuation of the "Start-Up Initiative", the platform devoted to companies that innovate, with the launch of four initiatives in Italy and three abroad (London, Frankfurt and San Francisco) focused on the various areas of technological innovation; the development of the plans for the improvement of corporate products, with the aim of rationalising and facilitating the implementation of commercial products by formulating specific product plans and involving all the relevant units and product companies. Lastly, the activation of the Technology Opportunity Proposal (T.O.P.) and the Technology Transfer Advisory (T.T.A.) projects, which were created and implemented in the previous year, was finalised.

Business Internationalisation Unit

The Business Internationalisation Unit directly covers 29 countries through 12 wholesale branches, 17 representative offices, 2 subsidiary banks and one advisory firm. In the first quarter of 2011 international coverage was pursued by fostering the internationalisation of Italian firms and building relationships with major multinationals through a model for managing international network customers that is consistent throughout the Group's international network. During the period, two projects which were created and finalised in 2010 went forward – internationalisation strategy and international account management. The pilot project is also being launched for the financial institutions customer base (emerging markets) of Banca Intesa Russia. Lastly, with the goal of strengthening the Business Internationalisation Unit, following the end of the quarter, a HUB branch was established in Dubai, dedicated to the Middle East and North Africa area (MENA), which will coordinate all offices of the Division currently located in the area: Beirut, Casablanca, Cairo, Istanbul and Tunis. The Dubai branch thus becomes the fourth HUB of the Department in addition to the branches of London, Hong Kong and New York, representing the first of the actions planned during the year to open new branches in order to strengthen the structures existing in countries of greater strategic interest.
The Department is responsible for:
– Société Européenne de Banque, which in the first quarter of 2011 reported net income of 33 million euro, a significant increase (+48.9%) compared to the first three months of 2010, owing to growth in revenues (+36.4%), attributable to the positive trend in profits on trading and in net interest income, reduction in costs (-0.9%) and the decrease in adjustments to loans (-2 million euro);
– Intesa Sanpaolo Bank Ireland, which closed the first quarter of 2011 with net income of 22 million euro, down by 9.8% compared to the same period of 2010, due to the drop in operating income (-17.9%), penalised by lower net interest income, which more than offset the reductions in costs (-2.1%) and net adjustments to loans (-3 million euro).

Global Banking & Transaction (formerly Financial Institutions)

The first quarter of 2011 was marked by a financial scenario full of liquidity pressure, which resulted in a decrease in interbank trade, a high cost of interbank and wholesale funding for financial institutions and, consequently, greater difficulty for banks to renew their expiring funding, especially in peripheral countries and in Italy. In this scenario, the Department's commercial focus continued to be primarily directed to "key" customers, large banks in the areas of interest and to being highly selective in new lending initiatives, while maintaining a high level of governance and attention to counterparties' risk profiles. On the marketing front, the consolidation of campaigns continued for the development of a number of capital market products, such as Market Hubs, Rates and Solutions, through the creation of new relations with target customers.
In the Trade and Structured Export Finance segment, the Department continued its insertion strategy in structured export finance, both from mature markets to emerging markets and for trade flows between emerging markets. Specifically, the first loan financing Chinese exports backed by the Export Credit Agency Sinosure was completed. In terms of Italian exports, the Bank acted as Mandated Lead Arranger for the "flagship" Nordstream 2.
In Transaction Banking, in the near-banking sector, the development of new product packages dedicated to the insurance sector is being concluded, and the changes to some terms and conditions in customer contracts have been finalised, including Ina Assitalia-Fata Assicurazioni, U.G.F. Group and Groupama. In the pension payment sector, a new agreement was signed with Deutsche Post for the payment of German pensions in Italy.
Marketing initiatives for securities services (local custody) customers focused on cross-selling activity with Banca IMI to acquire integrated execution and custody mandates. Lastly, the Bank continued to oversee the operations of agent banks that provide custody services on international securities (network management) and is investigating the possibility of concentrating flows which do not relate to the sale to State Street, to a limited number of strategic depositories with a view to reducing management costs and subsequently reprice the services provided.

Merchant Banking

In the first quarter of 2011 Intesa Sanpaolo, through its Merchant Banking Department, completed important investment initiatives with an approach of selectivity and careful risk assessment. Specifically, through IMI Investimenti, the Bank participated in the share capital increase of CISFI for 10 million, an investment which is part of the larger initiative involving a project for synergies between regional intermodal freight terminals and logistics and railway infrastructures.
Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued the fund-raising activity of the new Atlante Private Equity fund, whose initial subscription period was closed during 2010, for an amount of 150 million euro, in order to capture initial investment opportunities. During the first quarter of 2011, taking advantage of the opportunities offered by the recent amendments introduced by Ministerial Decree 228/99, the asset management company extended the subscription period by an additional six months, up to November 2011.

Structured Finance

During the first three months of 2011, in the acquisition finance segment, the Bank acted as Mandated Lead Arranger (MLA) in structuring credit facilities for the purpose of: supporting the acquisition of the Vesevo/Rosso Pomodoro Group (Italy) by the Change Capital private equity fund; refinancing SNAI's total debt for the purpose of its acquisition by the Investindustrial and Palladio private equity funds; and supporting the acquisition of Wall Street Systems Holding (USA) by ION Trading Ireland Limited (Ireland). Banca IMI also contributed to the origination and structuring of credit facilities for corporate acquisitions, leveraged buyouts or medium-term refinancing, which will be executed in 2011. These include: the acquisition of the COIN Group by the BC Partners private equity fund and the sale of Ansaldo Energia (Italy) by Finmeccanica to the First Reserve Corporation private equity fund.
In the project finance sector, in a market scenario that remains uncertain, Banca IMI continued to adopt a selective approach in the assessment of transactions, based on the presence of sponsors with high standing and an adequate risk profile. In particular, in the energy sector, the Bank, as MLA, finalised credit facilities supporting the acquisition of 100% of the capital of E.On Rete by a consortium of private equity funds and credit facilities for refinancing a solar farm for the Campania Region. Outside the Italian market, a transaction was concluded in favour of OJSC Severneftegazprom, a Russian company incorporated by a consortium comprising Gazprom, Wintershall and E.ON, to refinance the bridge loan granted in 2009, to cover the costs for developing a natural gas reserve in Siberia.
In the infrastructure sector, we note the facilities granted to Atlandes (Project A63) in France for the expansion, maintenance and management of a section of the A63 motorway (Bayonne – Bordeaux).
In the real estate sector, during the first quarter of 2011 Banca IMI's leadership position in the structuring of loans was confirmed. As a result of origination activities, credit facilities were finalised and signed in favour of NH Italia for the purpose of company operations and the plan for enhancing the value of its real estate assets.
With regard to advisory services, mandates were acquired from Redigaffi for optimising the assets of the "Fondo Due" real estate fund and the structuring and placement of two new funds, managed by BNP Paribas REIM SGR and IDEA FIMIT SGR, respectively.
Within the area of securitisations, the structuring and placement of "Class A Asset-Backed Floating Rate Notes due 2040" were completed, deriving from a securitisation of loans originated by Alba Leasing. The consultancy for the Parent Company in the placement of asset-backed commercial papers issued by Romulus Funding also continued.
In the syndicated loans segment, Banca IMI finalised transactions for Prysmian, Ansaldo Energia, Aran Word and Assiteca and acted as agent in the most important structured syndicated loan transactions in Italy (Barbaro Group, Zoppas Group, Cremonini Group, K-Flex Group, Mare Nostrum, Euticals Group and Fracasso Group).

Proprietary Trading

In the first quarter of 2011, the proprietary trading segment recorded a positive performance, as in the previous year. In detail, structured credit products reported positive valuation, benefiting from market conditions, mainly on unfunded positions and monoline structures. From an asset standpoint, risk exposure was essentially stable, taking into account write-downs and write-backs.
The hedge fund portfolio showed movement of about 26 million euro through both the management of pre-existing units and new acquisitions: the portfolio as at 31 March 2011 totalled 807 million euro, slightly down on the 814 million as at the end of December 2010. This segment had a positive effect on the income statement, though lower than the quarters of 2010, and was mainly generated by funds which allow the Bank to exploit the distressed credit opportunities offered by the market.

Investment Banking, Capital Market and Primary Markets

In the first quarter of 2011, trends in the stock markets and, specifically, the Italian stock market, favoured the expectations of recovery of equity capital market activities, both in the IPO segment and in share capital increases in the banking sector. In this context, in the roles of joint global coordinator and joint bookrunner, Banca IMI directed the IPO of Italy1, the first SPAC (Special Purpose Acquisition Company) quoted on the MIV segment of Borsa Italiana, and, internationally, participated in the share capital increase of Piraeus Bank. The bank also participated in the placement syndicates for Cemex and Celesio convertible bonds. It was assigned as joint global coordinator and joint bookrunner for the upcoming IPOs of Prada (quoting on the Hong Kong stock market), Moncler, Rhiag and Sea and the share capital increases of Intesa Sanpaolo and Banca Monte dei Paschi di Siena. At international level, the bank participated in the share capital increase of Commerzbank as the co-bookrunner. In the takeover bid/delisting segment, Banca IMI oversaw the sell-out on Fastweb shares, as the intermediary responsible for coordinating

subscriptions. At the end of March 2011, Banca IMI was specialist or corporate broker for 34 companies quoted on the Italian market, confirming its leadership in this market segment.
In the debt capital markets segment, in the first three months of 2011 Banca IMI once again confirmed its position as national leader in the number of issues, with 20 transactions closed for domestic issuers, for a total value of 3.4 billion euro and a market share of 9.8%. With regard to corporate customers, the Bank carried out the role of bookrunner for Telecom Italia's issue and for Pirelli's inaugural bond. It oversaw the bond issues of Fiat and Fiat Industrial resulting from the spin-off, and assisted FGA Capital, the joint venture of Crédit Agricole Consumer Finance and Fiat Group Automobiles specialising in loans to the automobile sector. With regard to foreign issuers, Banca IMI acted as bookrunner for the new issues by the Spanish company Gas Natural Fenosa and by RCI Banque, finance company of the Renault Group. For financial institutions, on the senior unsecured domestic market, the Bank acted as bookrunner for the eurobonds issued by Veneto Banca, Banca delle Marche, Banca Popolare di Vicenza, Banca Sella, Cassa di Risparmio di Bolzano, Banca Popolare dell'Emilia Romagna, Cassa di Risparmio di Cesena, Credito Valtellinese and Intesa Sanpaolo. In the covered bonds segment, the Bank acted as arranger and bookrunner for the Parent Company for covered bonds backed by guarantees on public assets and on residential mortgages, and oversaw the covered bonds of Monte dei Paschi di Siena and Banca Carige. Banca IMI assisted international customers by acting as joint lead manager and bookrunner for the issue by National Australia Bank, while it assisted sovereign, supranational & agency issuers by acting as joint bookrunner in the reopening of a Slovak Republic bond, through a syndicate, in collaboration with VUB Banka, and organised a private placement of an inflation-linked security by Italy.
In M&A activities, Banca IMI achieved positive results during the quarter, completing 11 transactions for a total value of over 16 billion euro, in a scenario of considerable recovery both in Europe and in Italy. In detail, services were provided to PAI, the Pharma Mandarin Fund and Euticals, in the Food & Beverage sector to shareholders of Vesevo, in the TMT sector to Tosinvest Sanità for the sale of "Il Riformista" and the acquisition of Bari Editrice and, lastly, to Prysmian. In addition, advisory services were provided for transactions being finalised in the second quarter, such as: Wind Telecomunicazioni, Finmeccanica, F2i, Axa and Api. Lastly, the advisory services provided to Eni in the process of selling Eni GTI and the investment in Transitgas continued.

Factoring and Leasing

Mediofactoring reported a turnover of 11.9 billion euro in the first quarter of 2011, an 84.9% increase on the same period of 2010, allowing it to remain the number-one domestic factoring provider by turnover. This performance may be attributed to its transactions without recourse, which more than doubled compared to the first three months of the previous year. Compared to 31 December 2010, period-end loans amounted to 7.8 billion euro, down by 7.4%. The amount outstanding also decreased from the beginning of the year (-6.1%). The decrease in loans can be linked to the seasonality of factoring, characterised by increasing rises in operations over the year. The positive performance of factoring, net of seasonal trends, was confirmed by the average volumes, amounting to 6.7 billion euro, which reported an increase of 24.2% compared to the same period of 2010. In terms of income statement figures, the operating margin for the first three months of 2011, amounting to 37 million euro, was up 20.3% on the same period of the last year as a result of the increase in operating income (+18.6%) which more than offset the increase in operating costs (+12.8%). Net income was 20 million euro, up by over 50%, benefiting from lower adjustments to loans (-43.1% compared to the first quarter of the previous year).

Through Leasint and Centro Leasing, Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 18.6%, up from 17.9% at the end of December 2010.
In the first quarter of 2011 Leasint entered into 2,677 new contracts, for a total amount of 809 million euro (+14.7% compared to the same period of 2010), with a decrease in the number of transactions completed (-3.6%). The composition of the portfolio was influenced by the considerable growth in Leasenergy, the product devoted to power generation attributable to the Instrumental and Property segments, which represent 37.3% of the total portfolio. Net of the development of Leasenergy, there were declines in both the moveable property (-10%) and automotive segments (-4.6%), while the real estate segment increased (+11.8%). Net income, as market conditions remained difficult, amounted to 12 million euro, up 10.9% on the first quarter of 2010 due to the slight increase in revenues (+0.8%) and lower adjustments to loans (-7.4%).
In the first quarter of 2011, Centro Leasing reported an operating margin up by 23.9%, benefiting from the positive developments in net operating income (+12.5%) and from significant cost savings (-17.9%). Despite greater adjustments to loans, the company closed the quarter with a net income of 0.9 million, compared to a net loss of almost the same amount in the same period of 2010.

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	86	72	14	19.4
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	15	14	1	7.1
Profits (Losses) on trading	5	-13	18	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	2	-2	
Operating income	**106**	**75**	**31**	**41.3**
Personnel expenses	-9	-10	-1	-10.0
Other administrative expenses	-10	-11	-1	-9.1
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-19**	**-21**	**-2**	**-9.5**
Operating margin	**87**	**54**	**33**	**61.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-2	-3	-1	-33.3
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**85**	**51**	**34**	**66.7**
Taxes on income from continuing operations	-34	-21	13	61.9
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**51**	**30**	**21**	**70.0**
Allocated capital	1,177	1,178	-1	-0.1
Profitability ratios (%)				
Cost / Income ratio	17.9	28.0	-10.1	-36.1
ROE annualised	17.6	10.3	7.2	70.1
EVA® adjusted [(a)] (millions of euro)	23	2	21	

(millions of euro)

	31.12.2011	31.12.2010	Changes	
			amount	%
Loans to customers	40,975	40,508	467	1.2
Direct customer deposits	4,809	5,757	-948	-16.5
of which: due to customers	*3,274*	*4,211*	*-937*	*-22.3*
securities issued	*1,535*	*1,546*	*-11*	*-0.7*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

The results of Public Finance in the first quarter of 2011 show growth in revenues and net income, owing to the positive trend in all the main income statement items and, with specific regard to income components, driven by an increase in business with customers that was reflected mainly in net interest income.
Operating income amounted to 106 million euro, up 41.3% compared to the first quarter of 2010, due to the following factors: net interest income, amounting to 86 million euro, up by 19.4% compared to the same period of the previous year, owing to development of the component associated with customers in Italy (where the short-term segment generated significant non-recurring contributions) and internationally; net fees and commissions, amounting to 15 million euro, up by 7.1% owing to revenue growth on services, specifically for the component relating to structuring activities; profits on trading of 5 million euro, compared to a loss of 13 million euro in the first quarter of 2010, which essentially benefited from the increases associated with credit risk adjustment valuations and the fair value adjustments in hedge accounting. Average loans grew slightly (+0.5%

including the securities component) on the basis of 4.5 billion euro in new disbursements from March 2010 to March 2011 and a slight increase in mark-up (+1 bp).

Operating costs amounted to 19 million euro, decreasing compared to the first quarter of the previous year, reflecting effective cost containment measures. Therefore, the cost/income ratio decreased to 17.9% from 28% in the first three months of 2010, also benefiting from the contribution of non-recurring revenues. As a result of the above trends, the operating margin, amounting to 87 million euro, increased by 61.1%. After lower adjustments to loans (-1 million euro), income before tax from continuing operations stood at 85 million euro, up 66.7% compared to the first quarter of the previous year. Lastly, net income, at 51 million euro, recorded an increase of 70% compared to the same period of 2010.
At quarterly level, operating income for the first quarter of 2011 showed an increase of 4.5% compared to the fourth quarter of 2010, as a result of the positive development in net interest income, which more than offset the fall in net fee and commission income and in profits on trading. Net income reported significant growth (+37.4%), benefiting from the reduction in costs and lower adjustments to loans which, in the last quarter of 2010, were affected by greater generic provisions.
Capital allocated amounted to 1,177 million euro, in line with the figure recorded in the first quarter of 2010, due to careful management of credit risk associated with the loan portfolio. The annualised ROE performed well, rising from 10.3% to 17.6%, due to the above trend in net income. EVA® reached 23 million euro, compared to 2 million euro in the corresponding period of the previous year.
With regard to the main balance sheet figures, loans to customers, amounting to 40,975 million euro, increased (+1.2%) since the beginning of the year, also owing to the new business acquired during the quarter, which resulted in disbursements of 1.5 billion euro. On the contrary, direct customer deposits amounted to 4,809 million euro, down 16.5%, primarily as a result of the lower cash balances of current accounts.

Business	Public Finance serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
Mission	To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group through operations in six priority areas of action: – loans for infrastructure projects – support for the healthcare system, universities and scientific research – improvement of public utilities – support for the public administration's financial equilibrium – funding for urban and local development projects – introduction of innovative tools for effective management of the banking services used by public entities and government-owned companies
Distribution structure	18 domestic branches and 3 representative offices abroad (Istanbul, London and Paris)

In the first quarter of 2011, to support and promote the development of large national infrastructures, Public Finance continued activity on large motorway projects, including the BreBeMi project (Brescia-Bergamo-Milano motorway) and the Milan East outer ring road. Worth noting is the loan granted to Strada dei Parchi for maintenance and upgrading works on the A24 motorway. In support of healthcare services, universities and scientific research, in order to foster the efficiency of the healthcare system of the Lazio Region, Public Finance oversaw the factoring without recourse of receivables due to contracted healthcare facilities and suppliers from the Local Healthcare Authorities of the Region. A similar intervention was implemented for receivables from suppliers of Healthcare Companies and Hospitals in the Campania Region. As part of initiatives supporting education, the modernisation of the buildings of the Università degli Studi di Bologna was financed and, as part of a financial consultancy project, an agreement was signed for the purchase without recourse of certified receivables from Università Cattolica del Sacro Cuore.
Under interventions to improve public services and utilities, Public Finance granted a loan to Ferrovie dello Stato for the realisation of projects relating to the development of High-Speed Trains. In the alternative low-environmental-impact energy sector, Public Finance is involved in wind farm and photovoltaic projects, specifically in the Lazio, Tuscany and Marche Regions.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities (including the Province of Pesaro Urbino and the Municipalities of Genoa and Monza). In order to alleviate the financial pressure on local entities and make financial resources available to businesses, the support to the Public Administration and their suppliers was also confirmed through advances on considerations owed to local entities by these parties. Numerous agreements were signed to factor without recourse the receivables due to suppliers of goods and services from municipalities, provinces and regions throughout Italy, including the municipalities of Monza, Brescia, Imperia, Seregno, Nuoro and Giulianova and the provinces of Turin, Alessandria and Lecco.
As part of loans that benefit from State subsidies, short-term loans were granted to the special commissioners of Tirrenia and Siremar and support continued to be provided to defence system suppliers as part of priority investment programmes for national defence.
In relation to urban and local development projects, disbursements to projects of national scope continued, such as the EUR Congress Centre in Rome, and significant transactions were finalised for the local areas, such as the loan granted to Azienda Lombarda per l'Edilizia Residenziale della Provincia di Bergamo (ALER) for the development of social housing projects.
Since the first quarter of 2011 Public Finance has been operational in the representative office in Warsaw, to oversee the chain of interaction between public and private entities in Central Eastern Europe.

Regarding international public & infrastructure finance, disbursements continued for road and motorway projects in various European countries and, in the utilities area, the bond issue programme supporting the investment plan of PGE (Polska Grupa Eneretyczna), the leading company in its domestic electricity market. In the same sector, a bond loan was subscribed as part of the inaugural issue for the "Spanish Electricity Deficit", the first transaction in a five-year issue programme which allowed Spain to begin repaying the receivables owed to utilities companies by the electricity system.

Lastly, support was provided to local Spanish entities, such as the Comunidad Autonoma de las Islas Baleares, the Comunidad Autonoma de Cantabria and the Comunidad de Extremadura.

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	437	403	34	8.4
Dividends and profits (losses) on investments carried at equity	5	4	1	25.0
Net fee and commission income	139	132	7	5.3
Profits (Losses) on trading	19	31	-12	-38.7
Income from insurance business	-	-	-	-
Other operating income (expenses)	-10	-13	-3	-23.1
Operating income	**590**	**557**	**33**	**5.9**
Personnel expenses	-143	-145	-2	-1.4
Other administrative expenses	-109	-103	6	5.8
Adjustments to property, equipment and intangible assets	-34	-34	-	-
Operating costs	**-286**	**-282**	**4**	**1.4**
Operating margin	**304**	**275**	**29**	**10.5**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	4	5	-1	-20.0
Net adjustments to loans	-186	-137	49	35.8
Net impairment losses on other assets	-1	-	1	-
Profits (Losses) on investments held to maturity and on other investments	2	1	1	
Income (Loss) before tax from continuing operations	**123**	**144**	**-21**	**-14.6**
Taxes on income from continuing operations	-37	-29	8	27.6
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**86**	**115**	**-29**	**-25.2**
Allocated capital	2,409	2,391	18	0.8
Profitability ratios (%)				
Cost / Income ratio	48.5	50.6	-2.1	-4.2
ROE annualised	14.5	19.5	-5.0	-25.8
EVA® adjusted [(a)] (millions of euro)	11	43	-32	-74.4

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Loans to customers	30,468	30,926	-458	-1.5
Direct customer deposits	29,564	30,259	-695	-2.3
of which: due to customers	*26,688*	*27,457*	*-769*	*-2.8*
securities issued	*2,867*	*2,802*	*65*	*2.3*
financial liabilities designated at fair value through profit and loss	*9*	*-*	*9*	*-*

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

(a) Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

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.
Effective the beginning of the year, the Division's scope includes two companies carried at equity: Intesa Eurizon Asset Management Beograd and Intesa Sanpaolo Leasing Romania IFN SA.
The comparative figures have been restated in accordance with the new scope of the Division.

In the first quarter of 2011, the Division's operating income was up 5.9% compared to the same period of the previous year, to 590 million euro. A detailed analysis shows that net interest income came to 437 million euro, an increase on the 403 million euro in the first three months of 2010, owing chiefly to Privredna Banka Zagreb (+24 million euro), VUB Banka (+10 million euro),

Banca Intesa Beograd (+5 million euro), Pravex Bank (+5 million euro) and Banka Koper (+3 million euro) only partly absorbed by the decrease of CIB Bank (-13 million euro). Net fee and commission income reported an increase of 5.3%, attributable in particular to Bank of Alexandria (+2 million euro), and Privredna Banka Zagreb (+3 million euro). Conversely, profits on trading, amounting to 19 million euro, fell compared to the same period of 2010 (-38.7%), primarily due to the lower contributions from Bank of Alexandria (-3 million euro), Privredna Banka Zagreb (-3 million euro) and Banca Intesa Russia (-2 million euro).
Operating costs came to 286 million euro, up 1.4% compared to the first three months of the previous year. As a result of the above revenue and cost trends, the operating margin came to 304 million euro, up 10.5%. Income before tax from continuing operations of 123 million euro was down 14.6%, due to higher net adjustments to loans, increasing from 137 million euro to 186 million euro. The Division closed the first quarter of 2011 with net income of 86 million euro (97 million euro excluding the impact of extraordinary taxes in Hungary), down 25.2% compared to the same period in 2010.
Analysing quarterly development, the first quarter of 2011 reported an operating margin up 5.6% on the fourth quarter of 2010, mainly thanks to cost savings (-9.9%) which more than offset the downturn in revenues (-2.5%). Income before tax from continuing operations rose by 29.6% and net income grew by 60.7%.
Capital allocated, which represents 10% of the Group's total, climbed slightly to 2,409 million euro. The annualised ROE fell to 14.5% from 19.5% in the first quarter of 2010, mainly due to the above trend in net income. Value creation, expressed in terms of EVA®, came to 11 million euro compared to 43 million euro in the same period of the previous year.
The Division's intermediated volumes decreased compared to the end of December 2010 (-1.9%). This trend was the result of a decrease in loans to customers (-1.5%), due to more selective policies in countries hit by the crisis, and in direct deposits (-2.3%), in the demand deposit component.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean Area	Presence in Egypt, the Russian Federation and Ukraine
Distribution structure	1,726 branches in 13 countries

South-Eastern Europe

In the first quarter of 2011, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 135 million euro (+21.7% compared to the same period of the previous year). The performance may be primarily attributed to the growth in net interest income and net fee and commission income, which more than offset the decrease in profits on trading. Operating costs increased 1.8% to 58 million euro, as a result of the increase in personnel and administrative expenses mainly related to the work on the start-up of ISP Card. These results generated an operating margin of 77 million euro, up 42.8% on the first three months of 2010. Net income, amounting to 39 million euro, was up by 26.1%.

Banca Intesa Beograd, including Intesa Leasing Beograd, recorded an operating margin of 38 million euro, an 8.7% increase on the first quarter of 2010. Operating income grew by 10.7%, mainly as a result of the performance of net interest income (+11.8%), which benefited from the growth in average volumes and spread, which offset a decrease in profits (losses) on trading (-18.5%). Operating costs were up 14%, driven primarily by the increase in administrative expenses associated with the installation of the new data centre and advertising costs. Net income amounted to 24 million euro, compared to 19 million euro for the same period in the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first quarter of 2011 with an operating margin of 3.2 million euro, up 32.2% on the same period of the previous year. This trend is due to higher revenues (+12.5%) and, in particular, to net interest income (+12.2%) due to the lower cost of funding and the increase in average volumes. Operating costs rose by 2%, in the personnel expenses component. Net income came to 1.7 million euro, up from 0.9 million euro of the first quarter of 2010, also as a result of the lower net adjustments to loans (-13.7%).

Intesa Sanpaolo Bank Albania reported an operating margin of 5.9 million euro, up 8.8% on the same period of the previous year. Revenues rose by 1.8% owing to net fee and commission income (+7.9%), which more than offset the downturn in net interest income (-0.6%) and profits (losses) on trading (-3.4%). Operating costs fell 7.5%, primarily due to the decrease in administrative expenses and personnel expenses. Net income came to 5.9 million euro, up 82.6% on the first three months of 2010, also as a result of the lower adjustments to loans (-72.6%).

The companies operating in Romania (Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania) recorded a total operating margin of 2.7 million euro, down 1.2% on the same period of the previous year. In detail, operating income decreased by 10.4% due to the decreases in net interest income (-8.2%) attributable to the higher cost of funding, in net fee and commission income (-26.3%) and in profits on trading (-8.8%). The decrease in operating costs (-12.9%) was mainly due to lower personnel and administrative expenses. The companies closed the first quarter of 2011 with a net loss of 2.5 million euro, compared to a loss of 1.3 million euro in the same period of 2010.

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 25 million euro, up 9.3% on the first quarter of 2010. The increase was mainly due to the higher net fee and commission income, which more than absorbed the reduction in profits from trading. Operating costs decreased, owing to savings on personnel expenses and lower amortisation and depreciation. Net income came to 5.1 million euro, down 31% on the first three months of 2010, as a result of the higher net adjustments to loans.

The VUB Banka Group achieved an operating margin of 71 million euro, up 14.7% on the first quarter of 2010, benefiting from an increase in operating income (+9.2%), attributable to net interest income (+11.2%) and net fee and commission income (+4.6%), which more than offset growth in operating costs (+2.6%), particularly administrative and personnel expenses. Net income, amounting to 43 million euro, increased by 26.7% on the first three months of 2010, benefiting from the reduction in net adjustments to loans (-16.4%).

The CIB Bank Group recorded operating income of 109 million euro, down 10.4% on the same period of 2010. This performance was attributable to the decreases in net interest income (-14.6%), net fee and commission income (-3.6%), and profits on trading (-4.8%), mainly due to the losses on securities affected by the crisis. Operating costs decreased by 10.4%, owing to savings on personnel expenses (-20.4%) and lower amortisation and depreciation (-9.7%). The net result, affected by the increase in adjustments to loans, was a loss of 40 million euro, compared to a net income of 5 million euro for the first quarter of the previous year.

Commonwealth of Independent States & South Mediterranean Area

Banca Intesa Russia closed out its income statement for the first quarter of 2011 with a net income of 2.8 million euro compared to 4.2 million euro in the same period of the previous year. Operating income decreased by 1.8% due to the downturn in profits (losses) on trading (-64.9%) and net interest income (-0.8%), which absorbed the increases in net fee and commission income (+35.7%) and in other operating income (+51.4%). Operating costs showed an increase of 16.9% attributable to all components and, in particular, amortisation charges relating to the launch of the new information technology system. Net adjustments to loans of 8 million euro were down 23.1% compared to the first quarter of 2010, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank in the first quarter of 2011 showed income of 1.6 million (compared to a loss of 3 million in the same period of 2010) thanks to the growth in operating income (+51.3%) and, in particular, in net interest income, which more than doubled as a result of the growth in the total spread due to the lower cost of funding, and in net fee and commission income (+19.4%). Operating costs grew by 2.7% as a result of higher administrative expenses and amortisation and depreciation. After adjustments to loans of 3 million euro, compared with 6.5 million euro in adjustments in the first three months of the previous year, Pravex Bank closed the first quarter of 2011 with a net income of 2.5 million euro, compared to a loss of 7.3 million euro in the same period of 2010.

Bank of Alexandria achieved an operating margin of 22 million euro, down 13.7% on the first three months of 2010. Operating income decreased by 5.4% mainly due to the contraction in profits on trading (-70.4%) and, to a lesser extent, the downturn in net interest income (-0.8%), caused by lower spreads. Operating costs showed an increase (+2.6%) attributable to the expansion of operations. After the release of 2.5 million euro from allowances for risks and charges and net adjustments to loans of 16 million euro, net income came to 6.7 million euro compared to the 23 million euro generated in the same period of 2010.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	-	-	-	-
Dividends and profits (losses) on investments carried at equity	4	4	-	-
Net fee and commission income	64	62	2	3.2
Profits (Losses) on trading	1	-	1	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	-	-	-
Operating income	**69**	**66**	**3**	**4.5**
Personnel expenses	-14	-14	-	-
Other administrative expenses	-18	-19	-1	-5.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-32**	**-33**	**-1**	**-3.0**
Operating margin	**37**	**33**	**4**	**12.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
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	**37**	**33**	**4**	**12.1**
Taxes on income from continuing operations	-9	-8	1	12.5
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-9	-10	-1	-10.0
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**19**	**15**	**4**	**26.7**
Allocated capital	67	63	4	6.3
Profitability ratios (%)				
Cost / Income ratio	46.4	50.0	-3.6	-7.2
ROE annualised	115.0	96.6	18.4	19.1
EVA® adjusted [(a)] (millions of euro)	26	24	2	8.3

(millions of euro)

	31.03.2011	31.12.2010	Changes	
			amount	%
Assets under management	140,044	136,279	3,765	2.8

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

Overall, total assets managed by Eurizon Capital as at the end of March 2011 stood at 140 billion euro, up 2.8% since the beginning of the year, mainly due to the strong performance of net inflows. The last quarter was positive for 3.6 billion euro, driven by the contribution from insurance products (which benefited from the life insurance business arising from the placement of class I policies by the Intesa Sanpaolo networks and the inflows from the unit-linked policies of Prospettiva, managed by Eurizon Capital) and, to a lesser extent, retail asset management. Conversely, mutual funds, institutional asset management and hedge funds reported outflows. Eurizon Capital's share of the mutual fund market was 17.4% as at 31 March 2011, up from 17.3% at the end of December 2010, as a result of net inflows that were less penalising than those for the sector nationally.
Operating income for the first quarter of 2011, amounting to 69 million euro, was up 4.5% on the same period of 2010, mainly due to the performance of net fee and commission income (+3.2%), favoured by the growth in average assets under management. Profits on trading also provided a positive contribution to the development of revenues, as a result of the capital gains generated by investments in funds classified as AFS. Operating costs declined (-3%), due to administrative expenses. As a result of the above revenue and cost trends, the operating margin came to 37 million euro, up 12.1%. Eurizon Capital closed the

first three months of 2011 with a net income of 19 million euro (28 million euro net of the effects on the income statement of the purchase price allocation) compared to 15 million euro in the same period of the previous year.
On a quarterly basis, the first quarter of 2011 showed a decrease of 20.2% in income before tax from continuing operations, compared to the fourth quarter of 2010, mainly due to the drop in operating income (-18.2%) and the significant drop in net fee and commission income (-12.9%). Nonetheless, net of performance fees accounted for in the fourth quarter of the previous year, both fee and commission income and income before tax from continuing operations remained stable.
Capital absorbed amounted to 67 million euro, up compared to the first quarter of 2010 due to the development of market risks. Annualised ROE remained at the high levels characteristic of the business unit, attributable to its limited absorption of capital compared to the huge volumes of assets managed by the company and placed by the Group's banking networks. EVA®, which measures value creation, rose by 8.3% to 26 million euro.

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

During the first quarter of 2011 a rationalisation of the range of Italian mutual funds was launched, which involves a reduction in the number of funds (with five mergers by incorporation of products with equivalent investment strategies) and a restyling of the range and of services by changing product features (return targets, mechanisms for calculating incentive commissions, and changes to management policies). During the period, the management of several products was reassigned in line with the specialisation of the product companies: specifically, Eurizon Capital SA (Luxembourg) was delegated to manage Italian money market funds and Epsilon was delegated to manage Italian and Luxembourg guaranteed/protected funds. A simplification of the asset management range was launched, following which the range of portfolio management schemes is now comprised of 42 lines, of which 21 are marketed and 21 held in stock.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	31.03.2011	31.03.2010	Changes amount	Changes %
Net interest income	31	28	3	10.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	144	132	12	9.1
Profits (Losses) on trading	3	17	-14	-82.4
Income from insurance business	19	21	-2	-9.5
Other operating income (expenses)	1	-2	3	
Operating income	**198**	**196**	**2**	**1.0**
Personnel expenses	-36	-35	1	2.9
Other administrative expenses	-45	-45	-	-
Adjustments to property, equipment and intangible assets	-3	-4	-1	-25.0
Operating costs	**-84**	**-84**	**-**	**-**
Operating margin	**114**	**112**	**2**	**1.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-8	-10	-2	-20.0
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-1	-1	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**106**	**101**	**5**	**5.0**
Taxes on income from continuing operations	-29	-27	2	7.4
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-24	-26	-2	-7.7
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**53**	**48**	**5**	**10.4**
Allocated capital	506	508	-2	-0.4
Profitability ratios (%)				
Cost / Income ratio	42.4	42.9	-0.5	-1.2
ROE annualised	42.5	38.3	4.2	10.9
EVA® adjusted [(a)] (millions of euro)	63	61	2	3.3

(millions of euro)

	31.03.2011	31.12.2010	Changes amount	Changes %
Assets under management	53,172	53,500	-328	-0.6

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

The figures shown in the table and commented on below include the results of Fideuram Vita, the company dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group. Fideuram Vita was spun off by EurizonVita and, subsequently Banca Fideuram acquired 19.99% of its capital on 29 July 2010.

Assets under management and administration of the Banca Fideuram Group amounted to 71.7 billion euro at the end of March 2011 (of which 53.2 billion euro in assets under management and 18.5 billion euro in assets under administration), up slightly (+0.2%) since the beginning of the year. Specifically, the assets under management component, which represents almost two-thirds of the aggregate, recorded a drop of 0.6%, attributable to life insurance policies and portfolio management. Conversely, assets under administration increased (+2.6%), mainly due to the strong performance of net inflows. In the first three months of 2011, net inflows of assets under management, amounting to 496 million euro, remained in line with the inflows achieved in the same period of the previous year, which also included 173 million euro in inflows resulting from the repatriation of financial assets held abroad under the "Third Tax Amnesty". A breakdown by aggregate shows that the assets under management component, which reported net inflows of 144 million euro compared to 1.5 billion euro in the first quarter of 2010, was affected by the

process of repositioning of customer portfolios towards asset management products during 2010. The assets under administration component showed net inflows of 352 million euro, compared to net outflows of 992 million euro in the first quarter of 2010.
The number of private bankers rose from 4,349 at the end of December 2010 to 4,375 units as at 31 March 2011.
The operating margin for the first quarter of 2011 stood at 114 million euro, up 1.8% compared to the same period of 2010, driven by the development of operating income (+1%), while operating costs remained stable. In detail, the revenue performance was essentially due to the increase in net fee and commission income (+9.1%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose significantly compared to the first three months of the previous year owing to both the growth of assets under management and the repositioning of the product mix to favour forms of assets under management with a less conservative risk profile. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents more than 10% of net fee and commission income, decreased, mainly due to less securities placement and dealing on behalf of customers. Fee and commission expense, primarily related to incentives for the network for attracting new money, remained at the same levels of the first quarter of 2010. Among the main income items, net interest income also increased (+10.7%), benefiting from the trend in interest rates which recorded levels in the first quarter of 2011 that were higher on average than those in the same period of the previous year, offsetting the decrease in average volumes managed. Conversely, there were declines in profits (losses) on trading (-14 million euro), which in the first three months of 2010 included the capital gains on the sale of bonds in the portfolio, as well as the income from the insurance business of Fideuram Vita (-2 million euro). Income before tax from continuing operations amounted to 106 million euro compared to 101 million euro in the first three months of 2010 (+5%). Banca Fideuram closed the first quarter of 2011 with a net income of 53 million euro (+10.4%), which rises to 77 million euro if the effects of the purchase price allocation on the income statement are excluded.
The capital absorbed by Banca Fideuram amounted to 506 million euro, slightly lower than that in the first three months of 2010. Annualised ROE was 42.5%, a significant increase owing to the positive net income performance. EVA®, which measures value creation, rose slightly to 63 million euro.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advice on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 4,375 private bankers

The initiatives taken by Banca Fideuram in the first quarter of 2011 were consistent with the objective of consolidating market leadership through the development of its key strengths. This strategy was pursued through the development of products and services, creating value for customers by providing an increasingly discerning level of service and the offer of new strategic opportunities. Specifically, such initiatives were carried out in collaboration with the product companies in order to make the best use of their specific skills. The activity affected both the asset management and banking segments.

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 quarter of 2011 with an operating loss of 35 million euro, compared to -118 million euro in the same period of the previous year. This trend was mainly attributable to the contribution of profits on trading, which benefited from the increase in profitability of interest rate transactions on debt securities and interest rate derivatives. The loss before tax from continuing operations amounted to 197 million euro (405 million euro loss in the first three months of 2010) as a result of operating costs down by 6.5%, the release of provisions for risks and charges and recoveries on loans. The net loss amounted to 193 million euro, compared to 234 million euro for the same period in the previous year.

Treasury Management

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. Intesa Sanpaolo is a direct member and provider of settlement services for both Group banks and third-party banks. In the first quarter of 2011 the Bank confirmed its role as "critical participant" within the euro payments system, slightly increasing its Target2 market share in Italy and Europe. In the period, the Treasury Department continued to devote considerable attention to various working groups within the ECB, Bank of Italy and Italian Banking Association concerning the development of new international settlement systems. In detail, in addition to the Target2-Securities project, for which the Bank is starting the initial internal organisational processes, in the first quarter 2011 the technical specifications for the implementation of the new European platform (CCBM2) for centralised cross-border collateral management were published. In this regard, the Eurosystem is complying with the timeline for the work, established in the last quarter of 2010, which will lead to the launch of the platform in 2013 in two migration processes. At the end of March 2011 Monte Titoli presented the X-COM project relating to the domestic Triparty Collateral Management service, which will be launched in October. The Bank is already involved in the organisational and implementation processes of this project, for the purpose of accepting the new platform.
The Parent Company also continued to dedicate significant efforts to eliminating settlement risk in foreign exchange transactions, where, as a direct member of the CLS system, it continued to offer a clearing service in line with the quality standards of the major European banks.
A significant new initiative involved the process of internalisation of the Chinese Yuan (CNY). Asian branches (Hong Kong, Shanghai and Singapore) have completed the regulatory and operational compliance associated with cross-border transactions denominated in yuan. It is thus now possible to support customers in various areas, such as: opening accounts, time deposits, collections and payments, foreign exchange and exchange rate risk hedging services and trade finance. The Shanghai branch also obtained approval from Chinese monetary authorities to act as agent bank for cross-border yuan settlement.

In 2011 the money market opened under continuing tensions on the government bonds markets of peripheral countries in the Eurozone, which had already taken shape in the last quarter of the previous year. Since mid-March the situation in these countries seems to have entered into a positive stabilisation phase, with the only exception being Portugal, hit by a government crisis and the increasing likelihood of recourse to aid from the IMF/EFSF.
In terms of monetary policy, following the long period of market expectations of stability in interest rates for most of the current year, the better than expected performance of the European economy and the sharp rise in inflation led the European Central Bank (ECB) to announce an increase in official rates in March, which was then resolved during the meeting in April in the amount of 25 basis points.
The above trend excluded the prices of very short term maturities, which continued to benefit from the excess liquidity in the system, with levels remaining below the official rates.
The European Central Bank has constantly guaranteed that it will maintain a scenario free of signs of liquidity stress. In March the ECB announced the details for the period April-July 2011 relating to transactions on the open market. For these transactions, the ECB will continue to undertake primary fixed-rate refinancing transactions, with the award of the full amount, along with 1-month and 3-month auctions with rates index-linked to those of weekly auctions.
The Federal Reserve also continued with its monetary loosening policy during the quarter, announcing a second tranche of "quantitative easing" through the purchase of 600 billion dollars in Treasuries to be completed in the first half of 2011. As a result, expectations for the dollar money market focus on keeping the current target range for Fed Funds between 0 and 0.25% for all of 2011.
Money market operations were concentrated almost fully on short-term maturities, also during the first quarter. The events in Egypt, Libya and other nations in North Africa, as well as the earthquake in Japan did not have direct repercussions on the European money markets.
The importance of the Collateralised Interbank Market in the previous year was reduced significantly, in consideration of prudent liquidity management by the primary Italian banks which previously supported the market, and due to the chronic lack of liquidity providers, an aspect which has negatively affected the development of this segment from the start.
Short-term issues, which had seen a slowdown for all European financial issuers in the last part of 2010, continued in terms of amount outstanding without significant changes. Nonetheless, there was an additional decrease in the duration of investments, with a resulting gradual reduction in portfolio duration. The reasons behind this phenomenon are also regulatory, which impose increasingly prudent liquidity risk profiles on investors. Intesa Sanpaolo's European and U.S. issue programmes feature similar trends as the above. In order to constantly guarantee a significant presence on the markets, also potentially increasing the panel of investors, at the end of the quarter the Luxembourg subsidiary Société Européenne de Banque, which enjoys the privilege of being located in a country considered to be low risk, was added to the European ECP programme as a co-issuer.
Intesa Sanpaolo's liquidity position remained on average in excess of its current needs and stayed continuously positive beyond the period of survival required by the regulators.

At the level of the securities portfolio, the first quarter of 2011 was characterised by expectations regarding the potential methods for resolving the sovereign debt crises. In relation to the worsening of the credit ratings of peripheral countries, the different perception of Italy risk by international investors favoured a substantial tightening of spreads on Italian government bonds, both compared to Bund and to Swaps. As a result, the desk's sovereign portfolio, concentrated on the short-term portion of the Italian curve (and significant up on the OIS at the end of the previous year as a result of particularly generous margins), was subject to substantial profit taking, which reduced it in tandem with the decrease in spreads. In the same period, the primary market for covered bonds was highly active, both due to the favourable regulatory framework and the objective difficulty of many banks (especially those operating in peripheral countries) in providing unsecured funding. Therefore, these conditions allowed the Bank to continue its strategy of increasing the covered bonds portfolio, maintaining its characteristics of low volatility. Investment therefore concentrated on Italian entities which offer high returns in relation to the type of asset class and have a good outlook for performance. At the same time, it was attempted to maintain efficient diversification of portfolio risk by participating, though to a lesser extent, in the issues of several British and French banks. Conversely, in view of the regulatory tightening on liquidity ratios, the senior bank securities portfolio was not increased and it was decided not to lighten the outstanding positions, as they have maturities of less than 2 years.

Operating ACM and Structured Operations

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

Funding

In terms of medium/long-term funding, the total amount of Group securities placed on the Italian market through its own and third-party networks came to 9.6 billion euro in the first quarter of 2011. As to composition of the placed securities, plain vanilla bond prevailed with a 62.3% share of the total, whereas the weight of structured bonds (mainly represented by structured interest rate securities) was 37.7%. A breakdown by average maturity shows a concentration of 2-year maturities (with a weight of 41.1%), whilst 35.7% is represented by 4-year securities, 16.8% by 6-year securities and the remaining 6.4% by 3/5-year and 7-year bonds. On the international market, as a result of the considerable amount of liquidity available, it was possible to carry out numerous issues on the institutional market, capturing important market windows: international unsecured funding transactions were finalised for a total of approximately 6.3 billion euro, of which 4.1 billion euro through the issue of bonds placed on the Euromarket and 3 billion dollars (equal to 2.2 billion euro) placed on the U.S. market.
The most significant transactions include the dual-tranche issue for the U.S. market as part of the recently created Medium Term Notes 144a Programme.
The continuing regulatory uncertainties and tensions relating to certain sovereign risks have led international institutional investors to show a prevailing interest in the medium/short-term portion of the yield curve.
In the first quarter, private placements were finalised for about 1.2 billion euro, as well as medium/long-term deposits of international branches and subsidiaries, in relation to their local funding (80 million euro).

In the area of structured funding, Intesa Sanpaolo carried out three issues of covered bonds in the first three months of 2011. Of these, two were realised on the institutional market (one, amounting to 1.5 billion euro for 10 years at a fixed rate of 5%, and the other amounting to 2.5 billion euro for 5.5 years at a fixed rate of 4.375%, both with Aaa ratings from Moody's, quoted on the Luxembourg Stock Exchange), while the third was fully subscribed by BIIS, for 2.4 billion euro for 2 years, with a floating rate coupon. In the private placement segment, Intesa Sanpaolo also issued two registered covered bonds, of 100 million euro with a fixed-rate coupon of 5.25% and a 15-year maturity, and of 300 million euro with a fixed-rate coupon of 5.375% and a 20-year maturity, respectively. These securities have Aaa ratings from Moody's and are not quoted. These transactions are of considerable importance with a view to diversifying sources of funding, as registered covered bonds are a new market for Intesa Sanpaolo, in which the main investors are smaller German insurance companies.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
31.03.2011	3,226	835	145	4,206
31.03.2010	3,323	776	146	4,245
% change [(a)]	-2.9	7.6	-0.7	-0.9
Loans to customers				
31.03.2011	325,270	40,100	10,143	375,513
31.12.2010	325,804	40,633	10,834	377,271
% change [(b)]	-0.2	-1.3	-6.4	-0.5
Direct customer deposits				
31.03.2011	325,097	67,879	24,930	417,906
31.12.2010	330,792	69,050	25,406	425,248
% change [(b)]	-1.7	-1.7	-1.9	-1.7

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

[(a)] The change expresses the ratio between 31.03.2011 and 31.03.2010.

[(b)] The change expresses the ratio between 31.03.2011 and 31.12.2010.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 77% of revenues, 78% of customer deposits and 87% of loans to customers. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
At the level of operating performance in the first quarter of 2011, Italy reported substantial stability in loans, compared to downtrends in the other areas. The amount of deposits decreased both in Italy and abroad. Operating income developed positively in Europe.

Risk management

BASIC PRINCIPLES

Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Management Bodies, the Supervisory Board and the Management Board, with support from specific Committees (particularly, the Group Risk Governance Committee), and the Chief Risk Officer, who reports directly to the Chief Executive Officer.
The Parent Company is in charge of overall direction, management and control of risks, whereas Group companies that generate credit and/or financial risks operate within the assigned autonomy limits and have their own control structures. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the Management Bodies of the subsidiaries.
The risk measurement and management tools together define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The capital position forms the basis for the 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

As part of the Basel 2 Project, the goal of which is for the main Group companies to adopt advanced approaches relating credit risks, the Supervisory Authority granted permission to make a transition from the FIRB approach (in use since December 2008) to the AIRB approach in the Corporate segment, effective the report as at 31 December 2010.
The scope of application of the AIRB approach extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. Specific models are currently being developed that will allow the AIRB approach to be adopted for the product companies (Leasint and Mediofactoring) in the near future. The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. For Banca IMI, which currently uses the Standardised approach, an application for authorisation of direct transition to the AIRB approach will be submitted in the first half of 2011. Recognition of the IRB approach for the Retail Mortgage segment was also obtained in June 2010.
An application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the second half of 2011.
The development of rating models for the other segments and the extension of the scope of companies is proceeding according to the gradual roll-out plan for the advanced approaches presented to the Supervisory Authority.
With regard to operational risk, it should be noted that the Group was authorised, effective the report as at 31 December 2009, to use the Advanced AMA Approach (internal model) to determine the associated capital requirement on an initial scope that includes Organisational Units, the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was also authorised to extend advanced approaches to a second set of Organisational Units and Companies of the Corporate and Investment Banking Division, in addition to Setefi, to the remaining banks of the Cassa di Risparmio di Firenze Group and to PBZ Banka. The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2011, based on the roll-out plan presented to the Management and Supervisory Authorities.
In 2010 the Group presented its Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Third pillar of Basel 2" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
– achieving the goal of sustainable growth of lending operations consistent with the risk appetite and value creation;
– diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
– efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
– privileging lending of a commercial nature or intended for new investments in production, provided that they are sustainable,

over those of a merely financial nature;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, that show irregularities with the aim of detecting any symptoms of performance deterioration in a timely manner.

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

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a predetermined control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
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. In accordance with the Supervisory Authority instructions, they are classified in the following categories: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

(millions of euro)

	31.03.2011			31.12.2010			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	21,150	-13,642	7,508	20,521	-13,186	7,335	173
Substandard loans	11,181	-2,373	8,808	11,291	-2,361	8,930	-122
Restructured loans	3,665	-325	3,340	3,631	-297	3,334	6
Past due loans	1,321	-144	1,177	1,659	-152	1,507	-330
Non-performing loans	**37,317**	**-16,484**	**20,833**	**37,102**	**-15,996**	**21,106**	**-273**
Performing loans	338,832	-2,453	336,379	340,619	-2,471	338,148	-1,769
Performing loans represented by securities	18,751	-450	18,301	18,499	-482	18,017	284
Loans to customers	**394,900**	**-19,387**	**375,513**	**396,220**	**-18,949**	**377,271**	**-1,758**

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

The table above shows an overall decrease in non-performing loans over the quarter. A comparison of the net exposures between 31 March 2011 and 31 December 2010 shows a reduction of 273 million euro, resulting in a total amount of non-performing loans of less than 21 billion euro. The overall coverage of non-performing loans, as at 31 March 2011, came to 44.2%, up 43.1% over the fourth quarter of 2010.
In detail, loans classified as doubtful came to 7,508 million euro as at 31 March 2011, up by 2.4% since the beginning of the year and representing 2% of total loans. The coverage ratio was over 64%.
Substandard loans, on the other hand, amounted to 8,808 million euro, a decrease of 1.4% compared to 31 December 2010. Substandard loans declined to 2.3% of total loans, a slight reduction compared the previous quarter. The coverage ratio stood at over 21%.
Restructured loans, amounting to 3,340 million euro, remained stable during the quarter, both in absolute values and in terms of incidence on total loans to customers. However, the coverage ratio increased slightly to almost 9%. Past due loans, which came to 1,177 million euro, decreased by around 22%. The coverage ratio rose to over 10% (10.9%).
Lastly, the level of performing loans remained stable, although the net amount fell from 338 billion euro to 336 billion euro. In this regard, adjustments were essentially stable during the quarter and the percentage of lump-sum adjustments made to cover this category of loans remained substantially unchanged compared to 31 December 2010.

MARKET RISKS

TRADING BOOK

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

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

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 5% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo, (iv) position risk on dividend derivatives.
From the second quarter of 2010, the validated risk profiles were extended to commodity risk for Banca IMI, the only legal entity of the Group authorised to hold open positions in commodities.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.
In the first quarter of 2011, market risks generated by Intesa Sanpaolo and Banca IMI decreased slightly with respect to the averages for the last quarter of 2010. The average VaR for the period totalled 36.1 million euro.

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

(millions of euro)

	2011			2010			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	18.7	16.3	21.5	22.3	27.6	27.0	19.5
Banca IMI	17.4	13.6	24.3	14.5	15.8	13.9	11.7
Total	**36.1**	**31.1**	**42.5**	**36.8**	**43.4**	**40.9**	**31.3**

[(a)] Each line in the table sets out past estimates of daily VaR calculated on the quartely historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for 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.

(millions of euro)

	2011			2010		
	average 31.03	minimum 31.03	maximum 31.03	average 31.03	minimum 31.03	maximum 31.03
Intesa Sanpaolo	18.7	16.3	21.5	19.5	17.7	20.5
Banca IMI	17.4	13.6	24.3	11.7	8.9	14.4
Total	**36.1**	**31.1**	**42.5**	**31.3**	**27.7**	**34.8**

[(a)] Each line in the table sets out past estimates of daily VaR calculated on the historical time-series in the first three months 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.

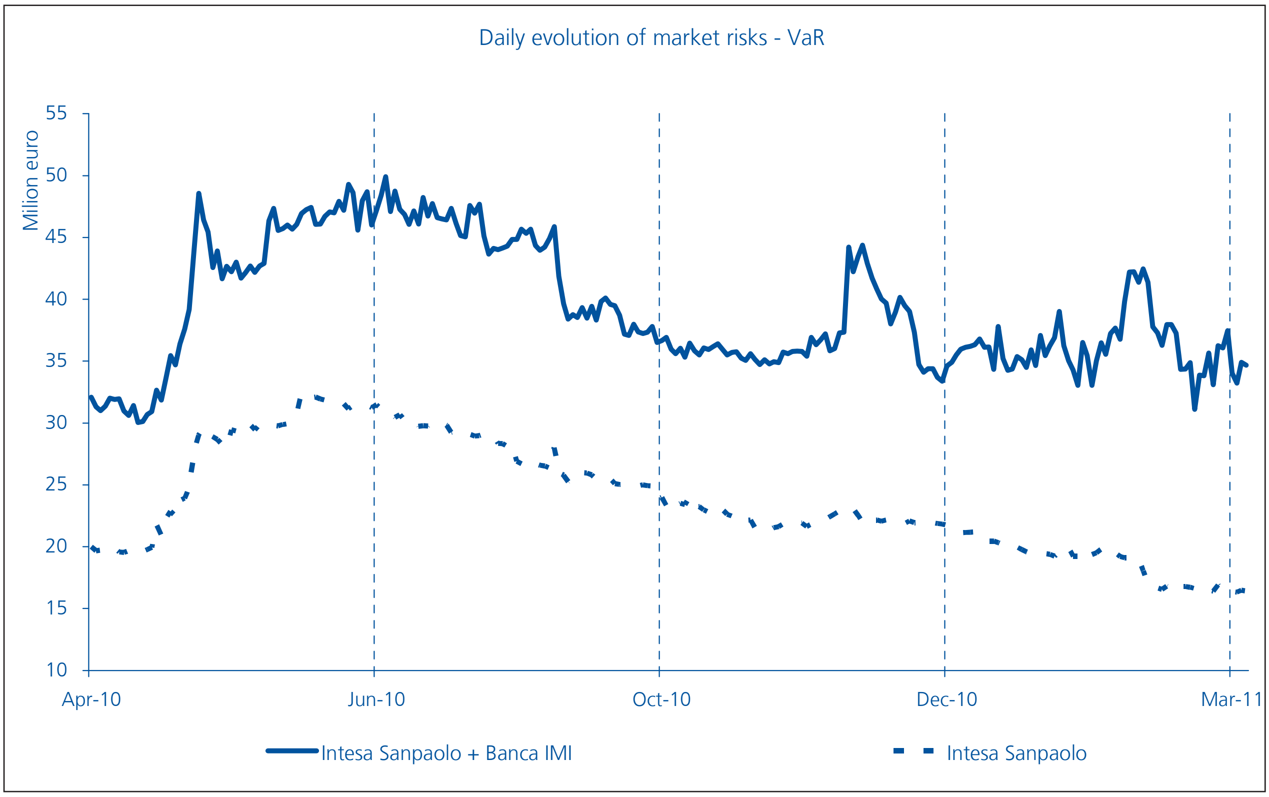
For Intesa Sanpaolo and Banca IMI, the breakdown of risk profile in the first quarter of 2011 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 57% of total VaR; for Banca IMI, credit spread risk was the most significant, representing 55% of total VaR.

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

1st quarter 2011	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	3%	57%	10%	24%	2%	4%	0%
Banca IMI	5%	1%	28%	55%	6%	5%	0%
Total	**5%**	**22%**	**21%**	**43%**	**1%**	**5%**	**3%**

[(a)] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the first three months of 2011, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is set out below. During the first quarter of 2011 the level of risk fell slightly, with a peak in VaR on Banca IMI at the end of February due to purchases in the Italian government sector made to take advantage of market opportunities.



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

– 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 5 million euro loss;
– on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 13 million euro loss, whereas a parallel -25 basis point shift would have led to a 12 million euro gain;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 93 million euro loss, 7 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 95 million euro gain, 7 million euro of which due to SCPs;
– on foreign exchange exposures (main position on Euro/USD), the portfolio would have recorded a 7 million euro gain in the event of exchange depreciation (-10%). The negative effect in case of foreign exchange appreciation (+10%) would have been 4 million euro;
– lastly, on commodity exposures a 7 million euro loss would have been recorded in the event of a 50% decrease in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-5	6	12	-13	95	-93	7	-4	-7	5
of which SCP					*7*	*-7*				

BANKING BOOK

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

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, micro 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 three months of 2011, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 323 million euro settling at 232 million euro at the end of March, almost entirely concentrated on the euro currency; this figure compares with 426 million euro at the end of 2010.
Interest margin sensitivity – in the event of a 100 basis point rise in interest rates – amounted to +203 million euro (-202 million euro in the event of reduction) at the end of March 2011; these values record a slight increase compared to the 2010 year-end figures, amounting to +163 million euro and -166 million euro, respectively, in the event of an increase/decrease in interest rates.
Interest rate risk, measured in terms of VaR, averaged 91 million euro in the first quarter of 2011 (98 million euro at the end of 2010) and reached a value of 81 million euro at the end of March, with a peak value of 96 million euro and a minimum value of 81 million euro.
Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 89 million euro (86 million euro at the end of 2010) in the first three months of 2011, with minimum and peak values of 81 million euro and 98 million euro respectively. VaR at the end of March amounted to 81 million euro.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to -75 million euro at the end of March 2011.

INFORMATION ON FINANCIAL PRODUCTS

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

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are unchanged with respect to those adopted for the previous year financial statements. For more details, reference should be made to the description included in the Annual Report 2010.
Fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing counterparties in an arm's length transaction. Underlying the definition of fair value is an assumption that an entity is a going concern without any need to liquidate or curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value reflects the credit quality of the instrument since it incorporates counterparty risk.

The fair value of financial instruments is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
When no quote on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

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

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Comparable Approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).
The following instruments are considered quoted on an active market (level 1): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchange traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments, which do not fall in the categories described above, are not considered quoted on an active market.
For financial instruments quoted on active markets, the current bid price is used for financial assets and the current asking price for financial liabilities, obtained on the most advantageous available active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the Comparable Approach (level 2) which uses measurement models based on market parameters. 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 used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional 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 fair value of bonds without official quotes expressed by an active market is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics. Credit spread sources are contributed and liquid securities of the same issuer, credit default swaps on the same reference entity, contributed and liquid securities issued by an issuer with the same rating and belonging to the same sector. The different seniority of the security to be priced relatively to the issuer's debt structure is also considered.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
In consideration of their number and complexity, a systematic reference framework has been developed for derivatives which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market.
Moreover, when determining fair value, the credit quality of the counterparty is also considered. Fair value considers counterparty credit risk and future exposures of the contract through the so-called Credit Risk Adjustment (CRA).
With respect to structured credit products, in the case of ABS, if significant prices are not available, valuation techniques consider parameters which may be presumed from the market (Comparable Approach), such as spreads presumed from new issuers and/or collected from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports and subject to backtesting with actual sale prices.
Financial Instrument for which fair value is determined using the comparable approach also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the so-called "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions.
Finally, loans also fall under the financial instruments whose fair value is determined using the comparable approach. In particular,

for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.
The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is 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 following are measured under the Mark-to-Model Approach:
- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- other loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

The fair value of debt securities and complex credit derivatives (funded and unfunded CDOs) is determined based on a quantitative model which estimates losses on collateral with a simulation of the relevant cash flows which uses copula functions. The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default - derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract. In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters. On the basis of this valuation, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis, condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.), are summarised in an indicator representing credit quality on which downgrades depend, so as to proceed to a consistent adjustment in the valuation. Finally, for this class of products, management has the possibility to decide a further adjustment which must be based on prices observed from counterparties and on expert opinions.
With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.
The fair value of hedge funds is determined by reducing the operating NAV provided by the Fund Administrator, by an amount deriving from an individual measurement process of the counterparty risk (being the risk associated with the credit quality of the fund's prime brokers[1]) and the liquidity risk (which occurs when the assets in which the fund is invested become so illiquid that they cast doubts as to the validity of the valuation process).
Equities to which the "relative" models indicated with respect to level 2 are not applied, are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the security value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income mixed models.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.
The valuation process of financial instruments ("Fair Value Policy") entails the following phases:
- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the measurement must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing

1 The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

model in order to discover any gaps promptly and start the necessary verifications and interventions.
The fair value policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models which price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:
– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration);
– valuation difficulties due to the lack of liquid and observable market parameters.

Fair value hierarchy

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

(millions of euro)

Financial assets / liabilities at fair value	31.03.2011			31.12.2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	21,981	37,812	1,301	24,649	45,785	1,464
2. Financial assets designated at fair value through profit or loss	29,734	6,390	224	28,746	6,575	228
3. Financial assets available for sale	56,786	6,038	1,871	54,099	5,653	1,855
4. Hedging derivatives	-	5,399	3	-	7,368	3
Total	**108,501**	**55,639**	**3,399**	**107,494**	**65,381**	**3,550**
1. Financial liabilities held for trading	4,638	32,107	690	4,015	40,215	815
2. Financial liabilities designated at fair value through profit or loss	4,010	21,191	-	3,722	22,422	-
3. Hedging derivatives	-	5,528	-	-	5,883	-
Total	**8,648**	**58,826**	**690**	**7,737**	**68,520**	**815**

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

As shown in the table, level 3 instruments, which have more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio and the relevant balances were down on those at 2010 year end. Conversely, almost two thirds of the financial assets measured at fair value are determined based on market prices (no discretion). The decrease in assets/liabilities held for trading, mainly concentrated in level 1 and 2, was in line with the general decrease in total financial assets/liabilities and was primarily linked to derivatives. The increase in level 1 financial assets available for sale was attributable to the purchase of quoted bonds.

The sensitivity analysis of level 3 financial assets and liabilities shows a 17 million euro[2] decrease in fair value due to complex credit derivatives, when the following parameters change:
– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

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

STRUCTURED CREDIT PRODUCTS

During the first three months of 2011 the positive trend in the secondary market continued, with a consequent beneficial impact on the value of structured credit products. The contribution of this asset class to the net income for the first quarter was 26 million euro.
The strategy for management of the portfolio continued to focus on gradually reducing exposure to the portion held in assets originated in the United States and at the same time repositioning towards Asset Backed products with European underlyings, particularly assets originated in Italy.

The risk exposure of structured credit products amounts to 3,476 million euro as at 31 March 2011 with respect to funded and unfunded ABSs/CDOs and to 61 million euro with respect to packages.
Only 5% of the outstanding positions were affected by a reduction in creditworthiness as at 31 March 2011, in line with the 4% recorded as at 31 December 2010. The situation of the structured credit product portfolio at the end of the first quarter of 2011 is described by the following indicators:

– 82% of the exposure was Investment Grade, compared to 80% as at 31 December 2010;
– 45% had an AAA rating;
– 18% had a BBB rating or less, compared to 20% as at 31 December 2010;
– 23% of the exposure had a pre-2005 vintage[2];
– 33% has a 2005 vintage;
– only 7% of the exposure related to the US Residential segment, and 20% to the US Non-Residential segment;
– the remaining exposure (73% of the total) is 69% European.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (27%) and CDOs (18%); the rest was almost entirely made up of ABSs (23%) and RMBSs (27%), with CMBSs representing 5% of the total.
As concerns valuation methods, of "long" positions, 50% are measured using the mark-to-model (100% of unfunded positions, 33% of funded positions, 100% of the monoline risk and the non-monoline "packages"), 43% with the comparable approach (58% of funded positions) and 7% are measured using effective market quotes (9% of funded positions). Of the "short" positions, 52% are measured using the mark-to-model (100% of unfunded positions and 100% of positions of funds) and 48% are measured using effective market quotes (100% of CMBX-CDS hedges).
In the summary tables provided below, table (a) sets out risk exposure as at 31 March 2011 and income statement captions (sum of realised charges and profits, write-downs and write-backs) in the first quarter of 2011, compared with the corresponding values recorded as at 31 December 2010.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2010 were translated to euro at an exchange rate of 1.3362 euro, and as at 31 March 2011 at an exchange rate of 1.4207 euro.

[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.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	31.03.2011		31.12.2010	
	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	**21**	**4**	**24**	**1**
Contagion area	**129**	**-**	**140**	**19**
- Multisector CDOs	55	-1	61	-4
- Alt-A	-	-	-	-
- TruPS	74	1	79	23
- Prime CMOs	-	-	-	-
Other structured credit products	**1,260**	**16**	**1,298**	**40**
- European/US ABS/CDOs	613	7	607	3
- Unfunded super senior CDOs	629	9	672	26
- Other unfunded positions	18	-	19	11
Total	**1,410**	**20**	**1,462**	**60**
in addition to:				
Positions of funds	-	2	-	16
Total Financial assets held for trading	**1,410**	**22**	**1,462**	**76**

Loans	31.03.2011		31.12.2010	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**3**	**-**	**3**	**-**
Contagion area	**75**	**-**	**89**	**-**
- Multisector CDOs	11	-	15	-
- Alt-A	43	-	49	-
- TruPS	-	-	-	-
- Prime CMOs	21	-	25	-
Other structured credit products	**1,988**	**-**	**2,161**	**7**
- Funded European/US ABS/CDOs	1,308	-3	1,253	3
- Funded super senior CDOs	658	3	777	8
- Other Romulus funded securities	22	-	131	-4
Total	**2,066**	**-**	**2,253**	**7**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,066**	**-**	**2,253**	**7**
TOTAL	**3,476**	**22**	**3,715**	**83**

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

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

b) Exposure in packages

(millions of euro)

	31.03.2011		31.12.2010	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	26	3	17	19
Non monoline packages	35	1	70	1
TOTAL	**61**	**4**	**87**	**20**

The overall risk exposure of structured credit products rose from 3,715 million euro as at 31 December 2010 to 3,476 million euro as at 31 March 2011, in addition to an exposure of 61 million euro in connection with structured packages (87 million euro as at 31 December 2010). The reduction in the exposure was due to the combined impact of the total/partial repayment of assets held in portfolio and the exchange-rate effect.
From an income statement perspective, structured credit products generated a net income of 26 million euro as at 31 March 2011 compared to a net income of 103 million euro on 31 December 2010.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of +22 million euro. The profit on this segment was a result of the effects of:
– unfunded super senior CDO positions included in the “Other structured credit products” (+9 million euro as at 31 March 2011); the profit in this segment was generated as a result of the improvement in spreads on the European and US secondary markets and of the limited downgrade/default impact;
– European and U.S. funded ABSs/CDOs (+7 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (+4 million euro), entirely attributable to unfunded positions included in the segment;
– positions in funds attributable to the “Contagion area” (+2 million euro).
The securities reclassified to the loan portfolio had an overall impact on the income statement of zero as at 31 March 2011. This figure was made up of the following:
– 3 million euro loss, from the impairment of a security transferred from the portfolio of the Romulus vehicle to the loan portfolio of the Parent Company;
– 2 million euro of impairment adjustments of two Irish non-conforming RMBSs held in the Parent Company’s portfolio; these securities were subsequently sold during the second quarter of 2011;
– 5 million euro gain from the sale in the market of positions in reclassified debt securities, including 4 million euro attributable to the subsidiary Banca IMI.
In addition to the Irish securities already subject to impairment as at 31 March 2011, the loans portfolio also contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as the “PIGS”). In particular, these consist of:
– 161 million euro in nominal value of securities issued by parties resident in Spain; as at 31 March 2011 these securities had a book value of 146 million euro and a fair value of 114 million euro;
– 40 million euro in nominal value of securities issued by parties resident in Portugal; as at 31 March 2011 these securities had a book value of 36 million euro and a fair value of 28 million euro;
– 13 million euro in nominal value of securities issued by parties resident in Greece; as at 31 March 2011 these securities had a book value of 12 million euro and a fair value of 9 million euro;
– 6 million euro in nominal value of securities issued by parties resident in Ireland; as at 31 March 2011 these securities had a book value of 5 million euro and a fair value of 2 million euro. These values also include securities that have been subject to impairment.
The “Monoline risk” and “Non-monoline packages” made a positive contribution of 4 million euro as at 31 March 2011, compared to +20 million euro recorded at the end of 2010.
It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 31 March 2011, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Fair value as at 31.03.2011	Benefit from the reclassification as at 31.03.2011 (***)	Effect on Shareholders' Equity
Reclassified securities:					
- from financial assets available for sale to loans	176	97	93		4
- from financial assets held for trading to loans	1,896	1,772	1,617	155	
Total Securities reclassified to loans	**2,072**	**1,869**	**1,710**	**155**	**4**
Securities classified under loans from inception	202	197			
Total securities classified under loans from inception	**202**	**197**			
TOTAL LOANS	**2,274**	**2,066**	**1,710**	**155**	**4**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Positive effect without reclassification for 2011	34
BENEFIT FROM THE RECLASSIFICATION AS AT 31.03.2011 (***)	**-155**

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above. There have not been any changes in the consolidation criteria compared to those reported in the 2010 financial statements.

Funding SPEs

These are entities established 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.
There were no significant changes with respect to the data and information reported as at 31 December 2010.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies. The latter retain the majority of the risks and rewards of the companies in question and, as a consequence, are consolidated pursuant to IAS 27/SIC 12.
There were no significant changes in this segment compared to the situation reported as at 31 December 2010.

Securitisation SPEs

These are funding SPEs that enable an entity to raise funds through 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. The resources raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold.
SPEs of this type that were part of the scope of consolidation as at 31 March 2011 are detailed in the financial statements as at 31 December 2010. There were no changes to report with respect to the situation presented at the end of 2010, both in terms of securitised assets and of the methods used to measure the securities held by Intesa Sanpaolo or by Group companies.
With regard, on the other hand, to the vehicles ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l., SPE used to support the covered bond issue programme there were three covered bond issues during the first quarter of 2011:

- the first, for an amount of 1.5 billion euro, was issued under the Issue Programme for a maximum amount of 10 billion euro backed by public sector loans sold by Banca Infrastrutture Innovazione e Sviluppo to ISP CB Pubblico S.r.l.. This issue, which was completed in January and has a 10-year maturity, is targeted at institutional investors and financial intermediaries and is listed on the Luxembourg Stock Exchange;
- the second, for an amount of 2.4 billion euro, was issued, like the first, under the Issue Programme for a maximum amount of 10 billion euro backed by performing public sector loans sold by BIIS to ISP CB Pubblico S.r.l.. The bonds issued, with a floating rate linked to the 6-month Euribor plus spread, were fully subscribed by BIIS, which allocated them as security for its funding at the European Central Bank, through transactions carried out via the Parent Company;
- the third, for an amount of 2.5 billion euro, was issued under the Issue Programme for a maximum amount of 20 billion euro backed by triple-A-rated securitised securities (RMBS), with underlying composed of Italian residential mortgage loans originated by Intesa Sanpaolo, which were sold by the latter to the vehicle ISP CB Ipotecario S.r.l.. This issue, which was completed in February and has a maturity of 5.5 years, is targeted at institutional investors and institutional financial intermediaries and is listed on the Luxembourg Stock Exchange.

As also already noted in the financial statements as at 31 December 2010, Intesa Sanpaolo controls, pursuant to SIC 12, the vehicles Romulus Funding Corporation and Duomo Funding Plc. Compared to the situation described at the end of 2010 there was a sale at fair value to Intesa Sanpaolo, completed at the beginning of March 2011, of part of the securities held by Romulus that were included within the scope of structured credit products. At the end of the first quarter these securities had a nominal value of 122 million euro and were recognised at a value of 115 million euro. One of these securities was subject to impairment losses, during the first quarter of 2011, amounting to 3 million euro, which were recognised under "Net adjustments to loans – caption 130".
The self-securitisations carried out through the vehicle SPQR II S.r.l. were closed ahead of the due date during the first quarter of 2011, through the sale to BIIS of the entire portfolios underlying the CBO 1 and CBO 2 securitisations and the redemption of the senior and junior bonds issued, which were entirely held by BIIS. Subsequently, BIIS sold the securities repurchased to the vehicle ISP CB Pubblico S.r.l. to proceed with the second of the three covered bond issues reported above.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
As at 31 March 2011, the situation of the only vehicle of this kind controlled by Intesa Sanpaolo, Intesa Investimenti S.p.A., was exactly as that described as at 31 December 2010.

Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the financial statements as at 31 December 2010. For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 March 2011, just over 120 transactions, for a total amount granted of 4,810 million euro, met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

As at 31 March 2011, the hedge fund portfolio totalled 807 million euro compared to 814 million euro at the end of 2010. Changes to the portfolio in the first quarter mainly related to the management of outstanding units and only marginally to new acquisitions.
As at the same date, there was an overall profit of 2 million euro, compared to 33 million euro recorded in the first quarter of 2010 and 84 million euro at the end of the previous year.
The 2 million euro of operating income recognised as at 31 March 2011 under "Profits (Losses) on trading – caption 80" included:

- -3 million euro related to net losses realised during the first quarter on the trading of the funds;
- 8 million euro from net valuations of positions remaining at the period end (including 2 million euro in the structured credit products disclosure);
- -3 million euro related to net charges.

Net capital gains/losses on the final residual amount (8 million euro) were spread across 43 positions, 13 of which with capital losses (-12 million euro) and 30 with capital gains (20 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 31 March 2011, 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 2,415 million euro (3,268 million euro as at 31 December 2010). The notional value of such derivatives totalled 42,270 million euro (45,875 million euro as at 31 December 2010). Please note that the positive fair value of contracts outstanding with the ten customers with the highest exposures was 998 million euro (1,472 million euro as at 31 December 2010).
Conversely, the negative fair value of the overall hedging derivative contracts, determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 698 million euro as at 31 March 2011 (552 million as at 31 December 2010). The notional value of such derivatives totalled 16,962 million euro (13,157 million euro as at 31 December 2010).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 31 March 2011, this led to a positive effect of 18 million euro being recorded under “Profits (Losses) on trading” in the income statement.
Adjustments are recorded, for every single contract, on 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 risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
As already noted, effective from the report at 31 December 2009, the Group was authorised by the Supervisory Authority to use the Advanced Measurement Approach (AMA – internal model) to determine capital requirements for operational risk on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding the network banks belonging to Cassa di Risparmio di Firenze Group, but including the Casse del Centro banks), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was also authorised to extend advanced approaches to a second set of Organisational Units and Companies of the Corporate and Investment Banking Division, in addition to Setefi, to the remaining banks of the Cassa di Risparmio di Firenze Group and to PBZ Banka. The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2011, based on the roll-out plan presented to the Management and Supervisory Authorities.
The control of operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is responsible for the approval and supervision of the policies and for their functionality in terms of the efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the Group’s overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group will have a centralised function within the Risk Management Department for the management of the Group’s operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (collection and structured census of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).
The Integrated self-assessment process, which has been conducted on an annual basis, has allowed the Group to:

- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the specialised functions of the Organisation and Security Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Audit) that supervise specific regulations and issues (Legislative Decree 231/05, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company’s business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events. Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the

maximum potential loss (worst 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 data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.
Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.
In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and professional liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements, as the insurance mitigation component of the internal model has not yet been submitted for regulatory approval.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,176 million euro as at 31 March 2011 (2,174 million euro as at 31 December 2010). The slight increase in the first quarter of 2011 was due to the transition to TSA of two international subsidiaries, Alexbank (Bank of Alexandria) and Banca Intesa A.D. - Beograd.

Legal risks

Legal risks have been thoroughly and individually analysed by the Parent Company and Group companies. Provisions have been made to the Allowances for risks and charges when there are legal obligations that are likely to result in a financial outlay and where the amount of the disbursement may be reliably estimated.
During the period, no new significant legal procedures were commenced or important developments took place with respect to those underway.
Reference should be made to the Notes to the 2010 consolidated financial statements for a detailed description of litigation regarding anatocism and bonds in default, the insolvency of the Cirio Group, the tax-collection litigation with former Gest Line, the litigation between Banca Infrastrutture Innovazione e Sviluppo and the Municipality of Taranto, the class actions by Codacons and Altroconsumo, the Angelo Rizzoli litigation, the Allegra Finanz AG litigation, other judicial and administrative proceedings at the New York branch in relation to alleged embargo violations, tax litigation and labour litigation.
With regard to the Altroconsumo class action, it should be noted that, by order filed on 28 April 2011, the Court of Turin, having rejected the objections of unconstitutionality raised by the plaintiffs, declared the class action as inadmissible. The order may be appealed before the Court of Appeal within thirty days from its notification.

INSURANCE RISKS

Life business

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

Non-life business

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

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Finance Policy is the main 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.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Eurizon Vita, Intesa Vita – now Intesa Sanpaolo Vita, Eurizon Tutela, Intesa Sanpaolo Life, Sud Polo Vita, Centrovita, and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These essentially refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 31 March 2011, the investment portfolios of Group companies, recorded at book value, amounted to 79,943 million euro; of these, the share regarding traditional revaluable life policies, non-life policies and free capital (Class C portfolio or portfolio at risk) amounted to 45,353 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 34,590 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "portfolio at-risk".

In terms of breakdown by asset class, net of derivative positions, 93.7% of assets, i.e. approximately 42,616 million euro, were bonds, while assets subject to equity risk represented 1.9% of the total and amounted to 864 million euro. The remaining part (1,996 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.4%).

The carrying value of derivatives came to approximately -123 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[3] only amounting to around -8 million euro.

At the end of the first quarter of 2011, investments of Eurizon Vita, Intesa Vita – now Intesa Sanpaolo Vita – Sud Polo Vita, Centrovita and Fideuram Vita free capital amounted to approximately 2,805 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to approximately 82 million euro.

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.4 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.1 years. The related portfolios of assets have a modified duration of around 5.9 years.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,134 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 102 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 77.4% of total investments and A bonds approximately 10.9%. Low investment grade securities (BBB) were approximately 4.3% of the total and the portion of speculative grade or unrated was minimal (approximately 1.1%).

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 69.8% of the total investments, while financial companies (mostly banks) contributed almost 19.9% of exposure and industrial securities made up approximately 4%.

At the end of the first quarter of 2011, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,320 million euro, with 1,946 million euro due to government issuers and 374 million euro to corporate issuers (financial institutions and industrial companies).

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

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the Shareholders' Register and the most recent available information as at 10 May 2011, shareholders of Intesa Sanpaolo with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,171,622,725	9.888%
Crédit Agricole S.A. (**)	592,000,000	4.996%
Fondazione C.R. di Padova e Rovigo	583,404,899	4.924%
Fondazione Cariplo	554,578,319	4.680%
Assicurazioni Generali	539,757,049	4.555%
Ente C.R. Firenze	400,287,395	3.378%
BlackRock Inc. (***)	376,688,882	3.179%
Fondazione C.R. in Bologna	243,955,012	2.059%
Carlo Tassara S.p.A.	267,818,000	2.260%

(*) held directly or indirectly.

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

(***) held as assets under management.

Transactions with related parties

Procedural features

In implementation of Consob Resolution 17221 as amended, on 26 November 2010 the Management Board and the Supervisory Board – after obtaining the Control Committee's favourable opinion – approved the "Intesa Sanpaolo Group Regulations on the management of transactions with related parties".
These Regulations, which came into full force from 1 January 2011, set forth criteria for the entire Group for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market.
In accordance with the criteria established by the Supervisory Authority, under the new Regulations the following are considered related parties of Intesa Sanpaolo: subsidiaries and associates, joint ventures, pension funds of the Group, shareholders holding an interest of over 2% in the Bank's voting capital and relative corporate groups, key managers, close family members of key managers and related significant shareholdings.
In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members, but also General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of business units, the Heads of governance areas, the Heads of head office departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Operations and Special Projects.
As far as shareholders are concerned, the Bank confirmed the decision taken in 2008 to extend application of the rules. This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties.
The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties of Intesa Sanpaolo, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.
With regard to decision-making, the procedure in the new Regulations distinguishes between:

- transactions for smaller amounts, to which the provisions of this Regulation shall not apply;
- transactions of lesser importance, equal to or greater than the small-amount thresholds (250,000 euro for individuals, 1 million euro for entities connected to managers with strategic responsibilities, 5 million euro for significant shareholders and related corporate groups, associates and pension funds, and 20 million euro for subsidiaries);
- transactions of greater importance, if they exceed the threshold of 5% of the indicators defined by Consob (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting.

An important role is reserved in the approval process for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party.
All transactions – that are not minor and not exempt – undertaken by the Parent Company with one of its related parties are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
For transactions undertaken by subsidiaries with related parties of Intesa Sanpaolo, the Regulations require these transactions to be approved, subject to authorisation from the Parent Company, by the Board of Directors of the subsidiaries concerned. Each company may also choose to include specific internal control measures in its own decision-making process that can also cover transactions carried out by the company with its "own related parties".
The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts equal to or greater than the thresholds of lesser importance. Bank funding transactions and intragroup loans are excluded from this requirement, regardless of the amount, provided they are entered into with subsidiaries and no other related parties have any significant interests.
Finally, please note that if the related party also qualifies as a relevant person pursuant to art. 136 of the Consolidated Law on Banking the special decision-making procedure established under that law also applies. This requires the transaction to be submitted for prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned art. 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases the contract or the act must be approved by the Parent Company. As provided for by Law 262/2005 and Legislative Decree 303/2006, the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).
The abovementioned provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as art. 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per article 2391 of the Italian Civil Code.

Information on transactions with related parties

More significant transactions
During the first quarter of 2011 the Group did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo – in an obligation to publish a market disclosure document.

Transactions of ordinary or recurrent nature
Ordinary or recurrent transactions entered into with related parties in the first quarter of 2011 fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with intragroup related parties or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level.
Receivable and payable balances with related parties as at 31 March 2011 within the consolidated accounts, amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of related parties considered for the tables in this section has been adjusted to take account of the revised version of IAS 24 and consequently, with effect from 1 January 2011, also includes the subsidiaries of the associates and the companies subject to joint control of Intesa Sanpaolo.

	31.03.2011 Amount (millions of euro)	Impact (%)
Total financial assets	9,490	1.6
Total other assets	98	0.6
Total financial liabilities	4,993	1.5
Total other liabilities	59	0.0

	31.03.2011 Amount (millions of euro)	Impact (%)
Total interest income	49	1.1
Total interest expense	-6	0.3
Total fee and commission income	11	0.7
Total fee and commission expense	-1	0.3
Total operating costs	-8	0.4

During the quarter, there were no provisions for non performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non performing loans -due from related parties, with the exception of 2.3 million euro related to associates. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

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

The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries	-	-	-	-	-	6	1	-	7	-	1	-
Companies subject to joint control and related subsidiaries	9	-	17	-	-	90	1	1	6	-	12	12
Associates and related subsidiaries	126	-	208	-	32	2,158	-	4	495	99	-	2,315
Key Managers and control bodies	-	-	-	-	-	3	-	-	6	-	-	1
Other related parties	2	-	-	-	-	5	-	-	380	-	-	13
Total	**137**	**-**	**225**	**-**	**32**	**2,262**	**2**	**5**	**894**	**99**	**13**	**2,341**
Shareholders (*)	1,278	990	428	-	214	3,924	96	2,312	876	807	46	844

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

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.

The Group's most significant associates – and the companies controlled by them – are Telco, Autostrada BS-VR-VI-PD (Serenissima), the NH Hoteles Group, Bank of Qingdao, Alitalia - Compagnia Aerea Italiana, Penghua Fund Management, SIA-SSB, RCS Mediagroup, Pirelli & C., Nuovo Trasporto Viaggiatori and Autostrade Lombarde. With regard to this category, please note that, with effect from 1 January 2011, the revised version of IAS 24 also includes the subsidiaries of the associates as related parties.

The joint ventures of the period include Allfunds Bank SA.

The category "Other related parties" includes the Bank's pension funds, the close relatives of managers and entities controlled by them.

Less significant transactions

The most notable less significant transactions concluded during the first quarter of 2011 by the Parent Company or subsidiaries with related parties are reported below.

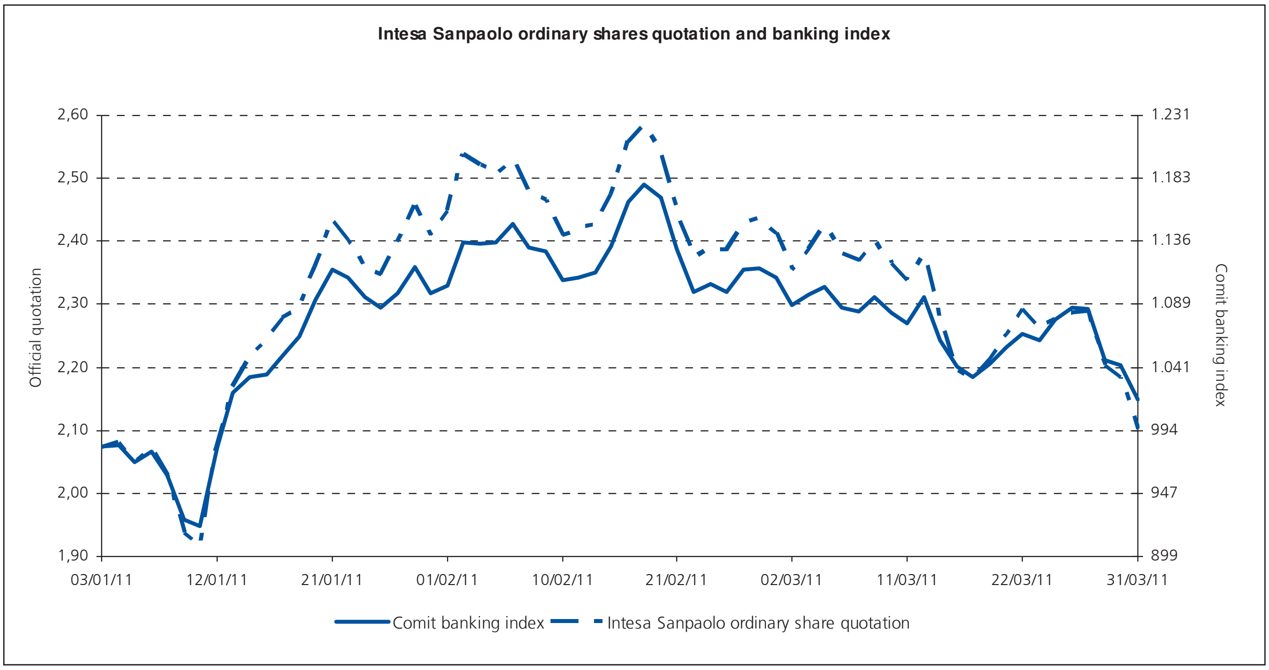
Transactions during the period undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.

The Group's most significant dealings with associates and companies controlled by associates during the period included loans granted to Pirelli & C, the NH Hoteles Group, Iren, Società di Progetto Autostrada diretta Brescia-Milano and other minor associates, all with interest terms in line with market interest rates. Share capital increases were subscribed with respect to GCL Holdings Sarl and other minor associates.
With respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), on 22 June 2010, Intesa Sanpaolo and Crédit Agricole finalised the terms and conditions underlying the agreement disclosed on 18 February 2010, providing for the sale by Intesa Sanpaolo to the Crédit Agricole Group of the entire investment held through the subsidiary Cassa di Risparmio di Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy against a total consideration of approximately 740 million euro (subject to a purchase price adjustment mechanism). Consistency thereof with market conditions is supported by the fairness opinion expressed by an independent expert. The sales of Cassa di Risparmio della Spezia and of 11 branches were completed in the first quarter of 2011, as described in more detail in the Executive Summary.
Last, as already reported, Intesa Sanpaolo is among the Italian banking creditors of the Carlo Tassara Group which signed a term sheet at the end of 2008 (subsequently modified in the first half of 2009) to stabilise and gradually reduce the total debt owed by the Carlo Tassara Group to Italian and foreign banks, by 31 December 2011. The term sheet signed in 2008 is currently being renegotiated.

Stock price performance

In the first quarter of 2011 the temporary easing of the strains on sovereign debt drove the European banking industry index up to its maximum levels for the period at around mid-February. Subsequently, uncertainty surrounding the mechanisms used to deal with the financial crisis in Europe and renewed fears about the prospects of economic recovery led the index to lose the ground gained in the first part of the quarter. After having achieved an increase of 21.9% in mid-February the DJ Euro Stoxx Banks ended the first quarter up 7%, at 2.8 percentage points higher than the DJ Euro Stoxx 50.
The Italian banking sector showed itself to be more sensitive than the European average to the fluctuation in the strains on sovereign debt, ending the first quarter of 2011 up 5.4%, after having reached the maximums for the period in mid-February when the sector had achieved an increase of over 24% compared to December 2010.

In this scenario, the performance of Intesa Sanpaolo ordinary shares for the first quarter of 2011 followed the trend shown by the banking industry indexes, with the price rising up to mid-February, when it reached its maximum for the quarter, followed by a gradual fall, which brought it down at the end of March to a level only slightly higher (1.3%) than the beginning of 2011.
The price of Intesa Sanpaolo savings shares was up 2.5% at the end of the first quarter of 2011 compared to the beginning of the year. The discount with respect to ordinary shares decreased slightly, falling to around 11% from around 12% at the beginning of the year.
At the end of the first quarter of 2011, Intesa Sanpaolo's capitalisation amounted to 26.6 billion euro, against 26.3 billion euro at the beginning of the year.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the distribution of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends

declared for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares outstanding.
The Earnings per share (EPS) indicator is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding, while diluted EPS does not include the effects of the planned share capital increase.

	31.03.2011		31.03.2010	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	11,844,762,978	931,953,883	11,846,959,567	932,191,754
Income attributable to the various categories of shares *(millions of euro)*	603	58	628	60
Basic EPS (*euro*)	0.05	0.06	0.05	0.06
Diluted EPS (*euro*)	0.05	0.06	0.05	0.06
Basic EPS annualised (*) (*euro*)	0.20	0.25	0.21	0.26
Diluted EPS annualised (*) (*euro*)	0.20	0.25	0.21	0.26

(*) Income for the first quarter of 2011 is not indicative of the forecast net income for the whole of 2011, since it is obtained by annualising the net income for the period.

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.
For the Intesa Sanpaolo Group, the performance of the index – restated for first quarter 2011 on average figures for the period and at period-end – is influenced by the significant increase in shareholders' equity resulting from the merger between Intesa and Sanpaolo IMI and market trends.

	31.03.2011	1st quarter 2011	2010	2009	2008	2007
Market capitalisation	26,629	29,436	31,209	32,228	48,639	71,058
Shareholders' equity	54,462	53,998	53,107	50,818	50,256	51,558
Price / book value	**0.49**	**0.55**	**0.59**	**0.63**	**0.97**	**1.38**

Ratings

On 6 May 2011 the international ratings agency Moody's reduced Intesa Sanpaolo's Bank Financial Strength rating to C+ (from B-) and its long-term rating to Aa3 (from Aa2), with stable outlook. Short-term rating was confirmed at P-1. The ratings assigned by the other agencies were unchanged.

	Rating Agency		
	Moody's	Standard & Poor's	Fitch
Short-term debt	P-1	A-1	F1+
Long-term debt	Aa3	A+	AA-
Outlook	Stable	Stable	Stable
Financial strength	C+	-	-
Individual	-	-	B
Support	-	-	1

Forecast for the year

The economic growth phase should continue throughout 2011. However, the oil shock, fiscal restriction and less accommodating monetary conditions should begin to limit growth worldwide starting from the second half of the year, particularly in Europe. The macroeconomic effects of the earthquake in Japan, debt sustainability problems in many advanced countries and numerous geopolitical hotbeds of tension could increase the volatility of economic data and of the markets.
Average annual growth in Italy should approach the levels of 2010, with greater stability expected in employment. In the United States, monetary policy should remain exceptionally expansionary until at least June, if not for all of 2011. In the eurozone, however, there are widespread expectations of additional hikes in the official ECB rates, which will provide upward pressure on the Euribor and short and medium-term IRS rates. The contrasting trend of monetary policies will continue to fuel currency tensions.
Against this background, bank rates and margins should continue to increase gradually, although remaining at relatively moderate levels in 2011 as well. Upward corrections of lending and funding rates are to be expected with normalisation of liquidity and the gradual recovery of monetary rates, receiving additional stimulus from the rise in official ECB rates. As to margins on short-term activities, the mark-up should decrease in small steps, whereas the mark-down should continue to improve.
As to lending activity, the pickup in lending to businesses should continue, supported by a good short-term trend that should be confirmed throughout 2011. Good performance is expected in loans to households for home purchases, although in decline in relation to the increase in interest rates. Overall, loans should grow at a moderate pace, on account of the following factors: low expected economic growth; still high, albeit slightly improving, unemployment; attention to liquidity, funding and capital aspects, with a view to the introduction of more restrictive prudential rules.
Direct deposits will continue to be a key resource for banks, also on account of the funding possibilities on the institutional market and the trends in the associated costs. Italian banks should continue to benefit from the good saving levels on the retail domestic market, albeit structurally lower than in the past. The growth in direct deposits is expected to slow down from 2010 and the previous years, as it will be impacted, inter alia, by the gradual increase in the opportunity cost of holding liquid assets in an account, compared to the exceptionally low levels of 2009-2010, which should favour investment in securities by investors.
Albeit with uncertainty margins linked to the performance of the financial markets, a slight recovery in mutual fund inflows is expected, which should benefit from market normalisation and from the investors' renewed interest in higher risk/yield investments. Life insurance should continue to see positive inflows, despite the slowdown underway.

As for the Intesa Sanpaolo Group, the 2011-2013/2015 Business Plan sets out a vision for the Bank which brings together clear continuity and strategic evolution. The Group will continue to focus on its key priority of assuring sustainable profitability in the medium term through developing long lasting client relationships, fine-tuning cost discipline and investments while at the same time monitoring asset quality and strengthening liquidity and capital base. In this framework, in 2011 the Group is expected to report a recovery in revenues compared to 2010, limiting operating costs and reducing the cost of bad loans, with a consequent improvement in the profitability of ordinary operations.

The Management Board

Milano, 13 May 2011

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 31 March 2011 corresponds to corporate records, books and accounts.

Milano, 13 May 2011

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

Independent Auditors' Report on the Consolidated financial statements

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Auditors' report on review of the quarterly condensed consolidated financial statements
(Translation from the original Italian text)

To the Management Board of
Intesa Sanpaolo S.p.A.

1. We have reviewed the accompanying quarterly condensed consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of and for the three months ended March 31, 2011, comprising the consolidated statements of financial position, income, comprehensive income, changes in equity and cash flows and explanatory notes. Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation and presentation of these quarterly condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these quarterly condensed consolidated financial statements based on our review. These consolidated financial statements have been prepared for the purposes of their inclusion in the Italian Prospectus for the offering and admission to listing of new ordinary shares of Intesa Sanpaolo S.p.A..

2. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

3. With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report issued on March 29, 2011. The comparative data of the quarterly condensed consolidated financial statements of the corresponding period of the prior year have been reviewed by us for the purpose of this review report on the quarterly condensed consolidated financial statements as of March 31, 2011. Moreover, the explanatory notes include certain additional comparative financial information, restated to take into account the changes in the consolidated entities; we have not examined such restated financial information.

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly condensed consolidated financial statements of the Intesa Sanpaolo Group as of and for the three months ended March 31, 2011, prepared for the purposes of their inclusion in the Italian Prospectus for the offering and admission to listing of new ordinary shares, are not prepared, in all material respects, in accordance with IAS 34.

Turin, May 13, 2011

Reconta Ernst & Young S.p.A.
signed by: Guido Celona, partner

Attachments

Consolidated reconciliation statements

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2010 and the restated consolidated balance sheet as at 31 December 2010

Reconciliation between the consolidated income statement as at 31 March 2010 and the restated consolidated income statement as at 31 March 2010

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2010 and the restated consolidated balance sheet as at 31 December 2010

(millions of euro)

Assets		31.12.2010 Published (*)	Changes in the scope of consolidation Disposals in favour of Crédit Agricole (a)	31.12.2010 Restated
10.	Cash and cash equivalents	4,758	-35	4,723
20.	Financial assets held for trading	71,899	-1	71,898
30.	Financial assets designated at fair value through profit and loss	35,549	-	35,549
40.	Financial assets available for sale	61,612	-5	61,607
50.	Investments held to maturity	3,839	-	3,839
60.	Due from banks	42,737	-162	42,575
70.	Loans to customers	379,235	-1,964	377,271
80.	Hedging derivatives	7,377	-6	7,371
90.	Fair value change of financial assets in hedged portfolios (+/-)	92	-	92
100.	Investments in associates and companies subject to joint control	2,716	-4	2,712
110.	Technical insurance reserves reassured with third parties	27	-	27
120.	Property and equipment	5,455	-75	5,380
130.	Intangible assets	25,990	-208	25,782
	of which			
	- goodwill	*19,217*	*-143*	*19,074*
140.	Tax assets	8,733	-17	8,716
	a) current	*2,759*	*-6*	*2,753*
	b) deferred	*5,974*	*-11*	*5,963*
150.	Non-current assets held for sale and discontinued operations	75	-	75
160.	Other assets	8,663	-39	8,624
Total Assets		**658,757**	**-2,516**	**656,241**

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal, by C.R. Firenze, of the subsidiary C.R. Spezia with effect from January 3rd, 2011 and of 11 direct branches with effect from March 28th, 2011.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2010 Published (*)	Changes in the scope of consolidation Disposals in favour of Crédit Agricole (a)	31.12.2010 Restated
10.	Due to banks	52,860	-375	52,485
20.	Due to customers	221,064	-1,701	219,363
30.	Securities issued	179,983	-242	179,741
40.	Financial liabilities held for trading	45,045	-	45,045
50.	Financial liabilities designated at fair value through profit and loss	26,144	-	26,144
60.	Hedging derivatives	5,884	-	5,884
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,412	-2	1,410
80.	Tax liabilities	3,269	-28	3,241
	a) current	*661*	-	*661*
	b) deferred	*2,608*	*-28*	*2,580*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	13,658	-95	13,563
110.	Employee termination indemnities	1,370	-13	1,357
120.	Allowances for risks and charges	3,280	-13	3,267
	a) post employment benefits	*374*	*-4*	*370*
	b) other allowances	*2,906*	*-9*	*2,897*
130.	Technical reserves	50,188	-	50,188
140.	Valuation reserves	-1,054	-	-1,054
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	12,143	-	12,143
180.	Share premium reserve	33,102	-	33,102
190.	Share capital	6,647	-	6,647
200.	Treasury shares (-)	-10	-	-10
210.	Minority interests (+/-)	1,067	-47	1,020
220.	Net income (loss)	2,705	-	2,705
Total Liabilities and Shareholders' Equity		**658,757**	**-2,516**	**656,241**

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal, by C.R. Firenze, of the subsidiary C.R. Spezia with effect from January 3rd, 2011 and of 11 direct branches with effect from March 28th, 2011.

Reconciliation between the consolidated income statement as at 31 March 2010 and the restated consolidated income statement as at 31 March 2010

(millions of euro)

	31.03.2010 Published (*)	Changes in the scope of consolidation				31.03.2010 Restated
		Acquisition of Banca Monte Paschi di Siena branches (a)	Acquisition of Intesa Vita (b)	Disposals in favour of Crédit Agricole (c)	Total change in the scope of consolida-tion	
10. Interest and similar income	4,331	7	134	-16	125	4,456
20. Interest and similar expense	-1,774	-	-2	3	1	-1,773
30. Interest margin	**2,557**	**7**	**132**	**-13**	**126**	**2,683**
40. Fee and commission income	1,593	6	8	-6	8	1,601
50. Fee and commission expense	-292	-	-8	-	-8	-300
60. Net fee and commission income	**1,301**	**6**	**-**	**-6**	**-**	**1,301**
70. Dividend and similar income	18	-	1	-	1	19
80. Profits (Losses) on trading	246	-	6	-	6	252
90. Fair value adjustments in hedge accounting	-30	-	-	-	-	-30
100. Profits (Losses) on disposal or repurchase of	94	-	17	-	17	111
a) loans	*2*	-	-	-	-	*2*
b) financial assets available for sale	*79*	-	*17*	-	*17*	*96*
c) investments held to maturity	*7*	-	-	-	-	*7*
d) financial liabilities	*6*	-	-	-	-	*6*
110. Profits (Losses) on financial assets and liabilities designated at fair value	95	-	24	-	24	119
120. Net interest and other banking income	**4,281**	**13**	**180**	**-19**	**174**	**4,455**
130. Net losses / recoveries on impairment	-698	-	-	4	4	-694
a) loans	*-695*	-	-	*4*	*4*	*-691*
b) financial assets available for sale	*-6*	-	-	-	-	*-6*
c) investments held to maturity	-	-	-	-	-	-
d) other financial activities	*3*	-	-	-	-	*3*
140. Net income from banking activities	**3,583**	**13**	**180**	**-15**	**178**	**3,761**
150. Net insurance premiums	2,184	-	988	-	988	3,172
160. Other net insurance income (expense)	-2,310	-	-1,131	-	-1,131	-3,441
170. Net income from banking and insurance activities	**3,457**	**13**	**37**	**-15**	**35**	**3,492**
180. Administrative expenses	-2,255	-7	-8	13	-2	-2,257
a) personnel expenses	*-1,404*	*-4*	*-4*	*9*	*1*	*-1,403*
b) other administrative expenses	*-851*	*-3*	*-4*	*4*	*-3*	*-854*
190. Net provisions for risks and charges	-93	-	-	-	-	-93
200. Net adjustments to / recoveries on property and equipment	-92	-	-	-	-	-92
210. Net adjustments to / recoveries on intangible assets	-177	-	-	1	1	-176
220. Other operating expenses (income)	135	-	-	-1	-1	134
230. Operating expenses	**-2,482**	**-7**	**-8**	**13**	**-2**	**-2,484**
240. Profits (Losses) on investments in associates and companies subject to joint control	7	-	-10	-	-10	-3
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-	-
270. Profits (Losses) on disposal of investments	4	-	-	-	-	4
280. Income (Loss) before tax from continuing operations	**986**	**6**	**19**	**-2**	**23**	**1,009**
290. Taxes on income from continuing operations	-304	-2	-9	1	-10	-314
300. Income (Loss) after tax from continuing operations	**682**	**4**	**10**	**-1**	**13**	**695**
310. Income (Loss) after tax from discontinued operations	28	-	-	-	-	28
320. Net income (loss)	**710**	**4**	**10**	**-1**	**13**	**723**
330. Minority interests	-22	-4	-10	1	-13	-35
340. Parent Company's net income (loss)	**688**	**-**	**-**	**-**	**-**	**688**

(*) Historical data. The Consolidated Income Statement as at March 31, 2010 remains unchanged in compliance with IFRS 3 and IFRS 5 since there were neither adjustments to acquisition costs related to merging transactions nor newly classified dicontinued operations in the caption "Income (Loss) after tax from discontinued operations".

(a) 2010 quarterly results of 50 branches of Banca Monte dei Paschi di Siena acquired by Cassa di Risparmio di Firenze Group in June 2010.

(b) 2010 quarterly results of Intesa Vita, net of the deconsolidation of the investment carried at equity.

(c) 2010 quarterly results arising from the disposal of C.R. Spezia to Crédit Agricole occurred during the month of January 2011 and of 11 direct branches with effect from March 28th, 2011 by Cassa di Risparmio di Firenze.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.03.2011	31.12.2010 restated	Changes amount	Changes %
10.	Cash and cash equivalents	5,435	4,723	712	15.1
20.	Financial assets held for trading	61,094	71,898	-10,804	-15.0
30.	Financial assets designated at fair value through profit and loss	36,348	35,549	799	2.2
40.	Financial assets available for sale	64,695	61,607	3,088	5.0
50.	Investments held to maturity	3,001	3,839	-838	-21.8
60.	Due from banks	41,531	42,575	-1,044	-2.5
70.	Loans to customers	375,513	377,271	-1,758	-0.5
80.	Hedging derivatives	5,402	7,371	-1,969	-26.7
90.	Fair value change of financial assets in hedged portfolios (+/-)	42	92	-50	-54.3
100.	Investments in associates and companies subject to joint control	2,817	2,712	105	3.9
110.	Technical insurance reserves reassured with third parties	26	27	-1	-3.7
120.	Property and equipment	5,397	5,380	17	0.3
130.	Intangible assets	25,593	25,782	-189	-0.7
	of which				
	- goodwill	*19,013*	*19,074*	*-61*	*-0.3*
140.	Tax assets	8,027	8,716	-689	-7.9
	a) current	*2,283*	*2,753*	*-470*	*-17.1*
	b) deferred	*5,744*	*5,963*	*-219*	*-3.7*
150.	Non-current assets held for sale and discontinued operations	35	75	-40	-53.3
160.	Other assets	9,761	8,624	1,137	13.2
Total Assets		**644,717**	**656,241**	**-11,524**	**-1.8**

(millions of euro)

Liabilities and Shareholders' Equity		31.03.2011	31.12.2010 restated	Changes amount	Changes %
10.	Due to banks	50,474	52,485	-2,011	-3.8
20.	Due to customers	210,296	219,363	-9,067	-4.1
30.	Securities issued	182,409	179,741	2,668	1.5
40.	Financial liabilities held for trading	37,435	45,045	-7,610	-16.9
50.	Financial liabilities designated at fair value through profit and loss	25,201	26,144	-943	-3.6
60.	Hedging derivatives	5,528	5,884	-356	-6.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	699	1,410	-711	-50.4
80.	Tax liabilities	3,329	3,241	88	2.7
	a) current	*716*	*661*	*55*	*8.3*
	b) deferred	*2,613*	*2,580*	*33*	*1.3*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	17,449	13,563	3,886	28.7
110.	Employee termination indemnities	1,358	1,357	1	0.1
120.	Allowances for risks and charges	3,180	3,267	-87	-2.7
	a) post employment benefits	*375*	*370*	*5*	*1.4*
	b) other allowances	*2,805*	*2,897*	*-92*	*-3.2*
130.	Technical reserves	51,896	50,188	1,708	3.4
140.	Valuation reserves	-766	-1,054	-288	-27.3
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	14,831	12,143	2,688	22.1
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-13	-10	3	30.0
210.	Minority interests (+/-)	1,001	1,020	-19	-1.9
220.	Net income (loss)	661	2,705	-2,044	-75.6
Total Liabilities and Shareholders' Equity		**644,717**	**656,241**	**-11,524**	**-1.8**

Restated consolidated income statement

(millions of euro)

	First quarter 2011 (*)	First quarter 2010 Restated	Changes amount	Changes %
10. Interest and similar income	4,544	4,456	88	2.0
20. Interest and similar expense	-1,764	-1,773	-9	-0.5
30. Interest margin	**2,780**	**2,683**	**97**	**3.6**
40. Fee and commission income	1,558	1,601	-43	-2.7
50. Fee and commission expense	-303	-300	3	1.0
60. Net fee and commission income	**1,255**	**1,301**	**-46**	**-3.5**
70. Dividend and similar income	36	19	17	89.5
80. Profits (Losses) on trading	259	252	7	2.8
90. Fair value adjustments in hedge accounting	-19	-30	-11	-36.7
100. Profits (Losses) on disposal or repurchase of	12	111	-99	-89.2
a) loans	*14*	*2*	*12*	
b) financial assets available for sale	*-2*	*96*	*-98*	
c) investments held to maturity	*-*	*7*	*-7*	
d) financial liabilities	*-*	*6*	*-6*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	-126	119	-245	
120. Net interest and other banking income	**4,197**	**4,455**	**-258**	**-5.8**
130. Net losses / recoveries on impairment	-627	-694	-67	-9.7
a) loans	*-613*	*-691*	*-78*	*-11.3*
b) financial assets available for sale	*-18*	*-6*	*12*	
c) investments held to maturity	*-*	*-*	*-*	
d) other financial activities	*4*	*3*	*1*	*33.3*
140. Net income from banking activities	**3,570**	**3,761**	**-191**	**-5.1**
150. Net insurance premiums	3,431	3,172	259	8.2
160. Other net insurance income (expense)	-3,494	-3,441	53	1.5
170. Net income from banking and insurance activities	**3,507**	**3,492**	**15**	**0.4**
180. Administrative expenses	-2,233	-2,257	-24	-1.1
a) personnel expenses	*-1,396*	*-1,403*	*-7*	*-0.5*
b) other administrative expenses	*-837*	*-854*	*-17*	*-2.0*
190. Net provisions for risks and charges	-19	-93	-74	-79.6
200. Net adjustments to / recoveries on property and equipment	-91	-92	-1	-1.1
210. Net adjustments to / recoveries on intangible assets	-172	-176	-4	-2.3
220. Other operating expenses (income)	123	134	-11	-8.2
230. Operating expenses	**-2,392**	**-2,484**	**-92**	**-3.7**
240. Profits (Losses) on investments in associates and companies subject to joint control	-22	-3	19	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	43	4	39	
280. Income (Loss) before tax from continuing operations	**1,136**	**1,009**	**127**	**12.6**
290. Taxes on income from continuing operations	-455	-314	141	**44.9**
300. Income (Loss) after tax from continuing operations	**681**	**695**	**-14**	**-2.0**
310. Income (Loss) after tax from discontinued operations	-	28	-28	
320. Net income (loss)	**681**	**723**	**-42**	**-5.8**
330. Minority interests	-20	-35	-15	-42.9
340. Parent Company's net income (loss)	**661**	**688**	**-27**	**-3.9**

(*) First quarter 2011 figures did not required any restatements.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	31.03.2011	31.12.2010
Financial assets held for trading		61,094	71,898
	Caption 20 - Financial assets held for trading	*61,094*	*71,898*
Financial assets designated at fair value through profit and loss		36,348	35,549
	Caption 30 - Financial assets designated at fair value through profit and loss	*36,348*	*35,549*
Financial assets available for sale		64,695	61,607
	Caption 40 - Financial assets available for sale	*64,695*	*61,607*
Investments held to maturity		3,001	3,839
	Caption 50 - Investments held to maturity	*3,001*	*3,839*
Due from banks		41,531	42,575
	Caption 60 - Due from banks	*41,531*	*42,575*
Loans to customers		375,513	377,271
	Caption 70 - Loans to customers	*375,513*	*377,271*
Investments in associates and companies subject to joint control		2,817	2,712
	Caption 100 - Investments in associates and companies subject to joint control	*2,817*	*2,712*
Property, equipment and intangible assets		30,990	31,162
	Caption 120 - Property and equipment	*5,397*	*5,380*
	+ Caption 130 - Intangible assets	*25,593*	*25,782*
Tax assets		8,027	8,716
	Caption 140 - Tax assets	*8,027*	*8,716*
Non-current assets held for sale and discontinued operations		35	75
	Caption 150 - Non-current assets held for sale and discontinued operations	*35*	*75*
Other assets		20,666	20,837
	Caption 10 - Cash and cash equivalents	*5,435*	*4,723*
	+ Caption 160 - Other assets	*9,761*	*8,624*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*26*	*27*
	+ Caption 80 - Hedging derivatives	*5,402*	*7,371*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*42*	*92*
Total Assets	**Total Assets**	**644,717**	**656,241**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	31.03.2011	31.12.2010
Due to banks		50,474	52,485
	Caption 10 - Due to banks	*50,474*	*52,485*
Due to customers and securities issued		392,705	399,104
	Caption 20 - Due to customers	*210,296*	*219,363*
	+ Caption 30 - Securities issued	*182,409*	*179,741*
Financial liabilities held for trading		37,435	45,045
	Caption 40 - Financial liabilities held for trading	*37,435*	*45,045*
Financial liabilities designated at fair value through profit and loss		25,201	26,144
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*25,201*	*26,144*
Tax liabilities		3,329	3,241
	Caption 80 - Tax liabilities	*3,329*	*3,241*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*-*
Other liabilities		23,676	20,857
	Caption 100 - Other liabilities	*17,449*	*13,563*
	+ Caption 60 - Hedging derivatives	*5,528*	*5,884*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*699*	*1,410*
Technical reserves		51,896	50,188
	Caption 130 - Technical reserves	*51,896*	*50,188*
Allowances for specific purpose		4,538	4,624
	Caption 110 - Employee termination indemnities	*1,358*	*1,357*
	Caption 120 - Allowances for risks and charges	*3,180*	*3,267*
Share capital		6,647	6,647
	Caption 190 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		47,920	45,235
	Caption 170 - Reserves	*14,831*	*12,143*
	Caption 180 - Share premium reserve	*33,102*	*33,102*
	– Caption 200 - Treasury shares	*-13*	*-10*
Valuation reserves		-766	-1,054
	Caption 140 - Valuation reserves	*-766*	*-1,054*
Minority interests		1,001	1,020
	Caption 210 - Minority interests	*1,001*	*1,020*
Net income (loss)		661	2,705
	Caption 220 - Net income (loss)	*661*	*2,705*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**644,717**	**656,241**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	31.03.2011	31.03.2010
Net interest income		2,396	2,401
	Caption 30 - Interest margin	*2,780*	*2,683*
	- Caption 30 (partial) - Contribution of insurance business	*-473*	*-357*
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*13*	*12*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*18*	*26*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*87*	*65*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-23*	*-21*
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	*-6*	*-7*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		7	-3
	Caption 70 - Dividend and similar income	*36*	*19*
	- Caption 70 (partial) - Contribution of insurance business	*-13*	*-12*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-23*	*-7*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*7*	*-3*
Net fee and commission income		1,394	1,403
	Caption 60 - Net fee and commission income	*1,255*	*1,301*
	- Caption 60 (partial) - Contribution of insurance business	*141*	*102*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-2*	*-*
Profits (Losses) on trading		278	218
	Caption 80 - Profits (Losses) on trading	*259*	*252*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-19*	*-30*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*-2*	*96*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-*	*6*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*-126*	*119*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*23*	*7*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-18*	*-26*
	- Caption 80 (partial) - Contribution of insurance business	*161*	*-206*
	- Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	*-*	*-*
Income from insurance business		120	204
	+ Caption 150 - Net insurance premiums	*3,431*	*3,172*
	+ Caption 160 - Other net insurance income (expense)	*-3,494*	*-3,441*
	+ Caption 30 (partial) - Contribution of insurance business	*473*	*357*
	+ Caption 60 (partial) - Contribution of insurance business	*-141*	*-102*
	+ Caption 70 (partial) - Contribution of insurance business	*13*	*12*
	+ Caption 80 (partial) - Contribution of insurance business	*-161*	*206*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-1*	*-*
Other operating income (expenses)		11	22
	Caption 220 - Other operating income (expenses)	*123*	*134*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-1*	*-1*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*-111*	*-111*
Operating income		**4,206**	**4,245**
Personnel expenses		-1,374	-1,369
	Caption 180 a) - Personnel expenses	*-1,396*	*-1,403*
	- Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*-1*	*12*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*23*	*21*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	*-*	*1*
Other administrative expenses		-720	-738
	Caption 180 b) - Other administrative expenses	*-837*	*-854*
	- Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*3*	*4*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*2*	*-*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*111*	*111*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*1*	*1*
Adjustments to property, equipment and intangible assets		-149	-142
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-91*	*-92*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-172*	*-176*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)	*1*	*2*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*3*	*5*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*-5*	*-6*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*115*	*125*
Operating costs		**-2,243**	**-2,249**
Operating margin		**1,963**	**1,996**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	31.03.2011	31.03.2010
Operating margin		**1,963**	**1,996**
Goodwill impairment		-	-
	Caption 260 - Goodwill impairment	-	-
	- Caption 260 -(partial) - Goodwill impairment	-	-
Net provisions for risks and charges		-13	-86
	Caption 190 - Net provisions for risks and charges	-19	-93
	- Caption 190 (partial) - Net provisions for risks and charges (Merger and restructuring related charges)	-	-
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	6	7
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	-	-
Net adjustments to loans		-680	-750
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	14	2
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	-613	-691
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	-87	-65
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	4	3
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	2	1
Net impairment losses on other assets		-17	-5
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	-18	-6
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	-	-
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	1	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	-	-
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - merger and restructuring related charges)	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	-	-
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	-	1
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Profits (Losses) on investments held to maturity and on other investments		14	10
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	-	7
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	-22	-3
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-7	3
	+ Caption 270 - Profits (Losses) on disposal of investments	43	4
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	-	-1
Income (Loss) before tax from continuing operations		**1,267**	**1,165**
Taxes on income from continuing operations		-496	-362
	Caption 290 - Taxes on income from continuing operations	-455	-314
	- Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	-2	-8
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	-39	-40
Merger and restructuring related charges (net of taxes)		-4	-16
	+ Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	1	-12
	+ Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	-3	-4
	+ Caption 190 (partial) - Net provisions for risks and charges (Merger and restructuring related charges)	-	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - merger and restructuring related charges)	-1	-2
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	-3	-5
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	-	-1
	+ Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	2	8
Effect of purchase cost allocation (net of tax)		-86	-92
	+ Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	-13	-12
	+ Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	-	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	5	6
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	-115	-125
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	-2	-1
	+ Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	-	-1
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	-	1
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	39	40
Income (Loss) after tax from discontinued operations		-	28
	Caption 310 - Income (Loss) after tax from discontinued operations	-	28
	+ Caption 260 - (partial) - Goodwill impairment	-	-
Minority interests		-20	-35
	Caption 330 - Minority interests	-20	-35
Net income	**Caption 340 - Parent Company's net income (loss)**	**661**	**688**

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Financial calendar

Approval of results as at 30 June 2011:	5 August 2011
Approval of results as at 30 September 2011:	8 November 2011

PREPRESS AND PRINTING: AGEMA CORPORATION – ITALIA

PRINTED ON FSC ECOLOGICAL PAPER WITH ECO-COMPATIBLE VEGETABLE INKS BY GRAFICHE AGEMA S.P.A. ITALIA – CERTIFIED COMPANY FOR ECO-SUSTAINABLE DEVELOPMENT.

An ability to develop new solutions, attention to and ongoing dialogue with households, businesses, the third sector and public institutions underlie Intesa Sanpaolo's commitment to contribute to Italy's growth.
A role that we carry out with professionalism, a sense of responsibility and passion, offering innovative, personalised products and services and sharing our projects with our customers.
This is the origin of the decision to tell our story through the vivid, positive stories of our customers, representing, with these images, the projects achieved, the spirit of initiative and entrepreneurial determination and ability.

Brunello Cucinelli S.p.A., Solomeo (PG).

Students in the Villa Amoretti Public Library, Torino.

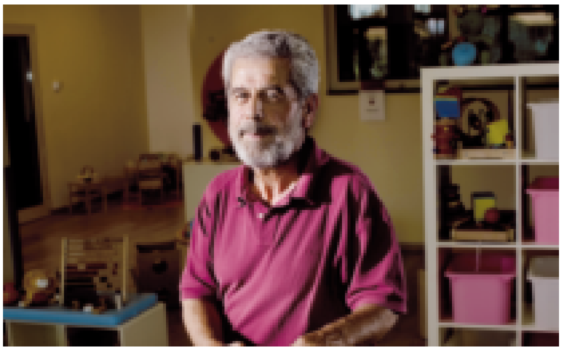
I Leprotti, Abbiategrasso (MI).

Photovoltaic plant in Montalto di Castro, Viterbo.

The Venturino family, Maretto (AT).

Esaote S.p.A., Genova.

Buccellati Holding Italia S.p.A., Milano.



La Casa dei Girasoli, "Genitori Oggi" Non-Profit Voluntary Association, San Giustino Umbro (PG).

Photo: Alessandro Digaetano