Interim statement as at 30 September 2011

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

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CARISBO
INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,674	Intesa Sanpaolo Private Banking	60
	Banca Fideuram	39
	Banca Prossima	21
	Banca CR Firenze	7
	BIIS	5
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
369	Banca CR Firenze	712
	Banca dell'Adriatico	82
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	21
	Banca Prossima	10
	BIIS	4
	Banco di Napoli	3
	Mediocredito Italiano	2

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	CR del Veneto	448
	CR in Bologna	206
	CR del Friuli Venezia Giulia	143
	CR Venezia	118
	CR di Forlì e della Romagna	114
	Banca di Trento e Bolzano	85
	Banca Monte Parma	67
	Banca CR Firenze	47
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	12
	BIIS	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
5	Banco di Napoli	754
	Banca dell'Adriatico	115
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	16
	Banca CR Firenze	12
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
188	Banca di Credito Sardo	95
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	BIIS	2
	Mediocredito Italiano	1

Figures as at 30 September 2011

Product Companies

CENTROVITA EurizonVita INTESA SANPAOLO VITA SUD POLO VITA

Bancassurance

EurizonCapital

Asset Management

MONETA NEOS FINANCE

Consumer Credit

LEASINT

Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

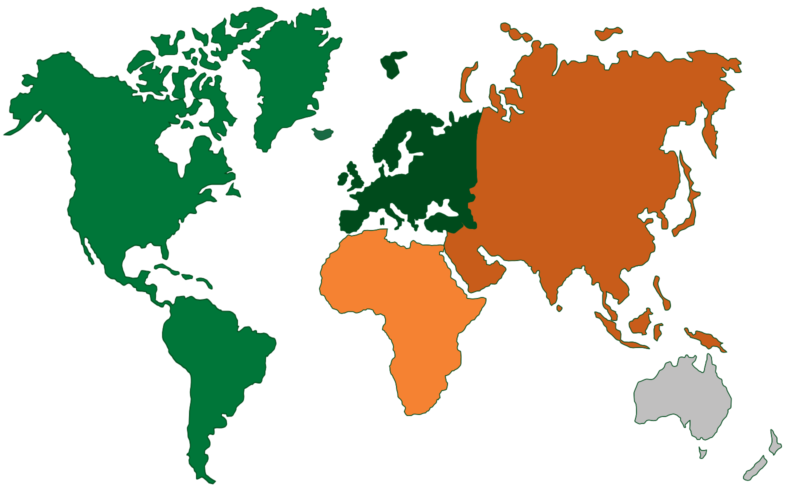
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

Direct Branches	Representative Offices
Dubai	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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	30
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	55
Croatia	Privredna Banka Zagreb	220
Czech Republic	VUB Banka	1
Hungary	CIB Bank	138
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	75
Serbia	Banca Intesa Beograd	207
Slovakia	VUB Banka	244
Slovenia	Banka Koper	55
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	389
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 30 September 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 INVESTMENT FUND MANAGEMENT
Eurizon Capital s.a.
FIDEURAM Asset Management (Ireland)
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Managment

CIB LÍZING
INTESA LEASING BEOGRAD
PBZ LEASING
VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy 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 Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Marco SPADACINI Livio TORIO Riccardo VARALDO

Management Board

Chairman	Andrea BELTRATTI
Senior Deputy Chairman	Marcello SALA
Deputy Chairman	Giovanni COSTA
Managing Director and Chief Executive Officer	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

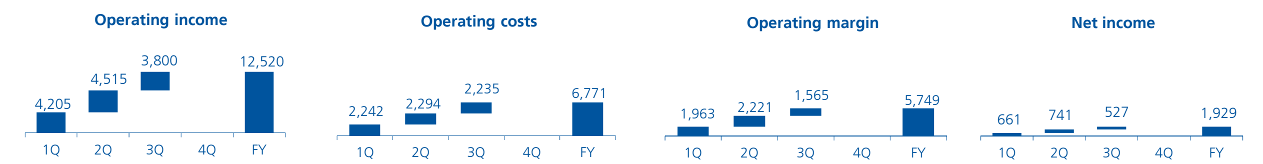
OVERVIEW OF THE NINE MONTHS OF 2011

Income statement figures and alternative performance measures (°)

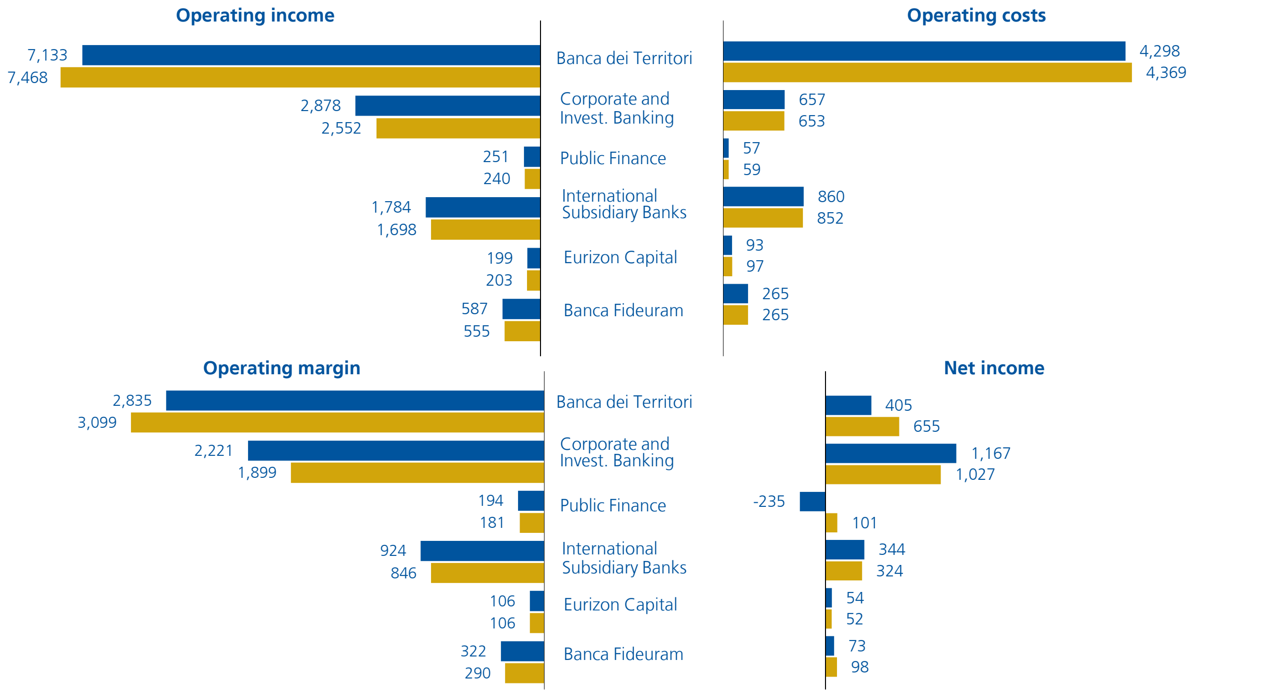
Consolidated income statement figures (millions of euro)

	30.09.2011	30.09.2010	Changes amount	Changes %
Net interest income	7,239	7,292	-53	-0.7
Net fee and commission income	4,127	4,135	-8	-0.2
Profits (losses) on trading	747	340	407	
Income from insurance business	335	528	-193	-36.6
Operating income	12,520	12,333	187	1.5
Operating costs	-6,771	-6,806	-35	-0.5
Operating margin	5,749	5,527	222	4.0
Net adjustments to loans	-2,200	-2,275	-75	-3.3
Income after tax from discontinued operations	-	691	-691	
Net income	1,929	2,200	-271	-12.3

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



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



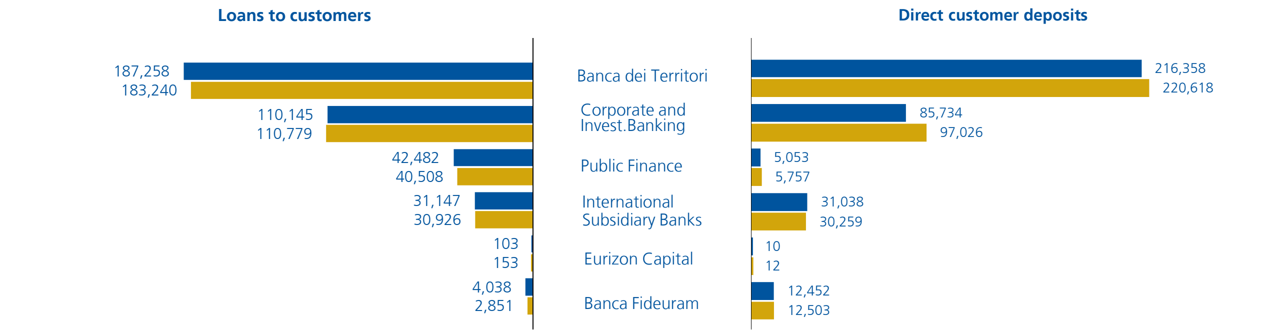
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(°)
30.09.2011
30.09.2010

Balance sheet figures and alternative performance measures (°)

Consolidated balance sheet figures (millions of euro)	30.09.2011	31.12.2010	Changes amount	Changes %
Loans to customers	381,192	378,827	2,365	0.6
Direct customer deposits	395,209	427,319	-32,110	-7.5
Indirect customer deposits:	406,875	427,067	-20,192	-4.7
of which: Assets under management	*224,495*	*233,929*	*-9,434*	*-4.0*
Total assets	667,322	657,025	10,297	1.6
Shareholders' equity	57,554	53,533	4,021	7.5

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



Operating structure	**30.09.2011**	**31.12.2010**	**Changes amount**
Number of employees	**101,646**	**101,837**	**-191**
Italy	70,294	70,460	-166
Abroad	31,352	31,377	-25
Number of financial advisors	**4,828**	**4,349**	**479**
Number of branches [(a)]	**7,323**	**7,458**	**-135**
Italy	5,598	5,696	-98
Abroad	1,725	1,762	-37

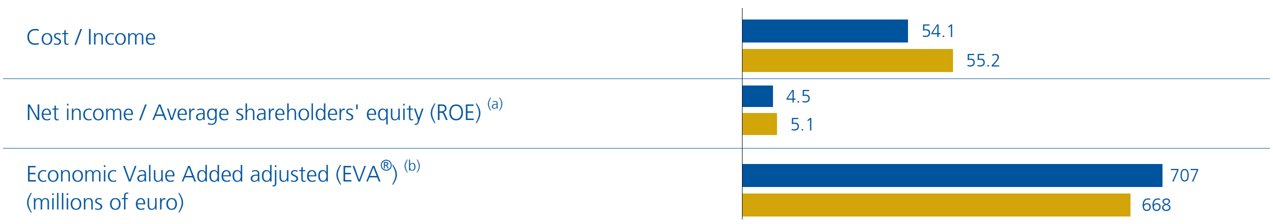
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

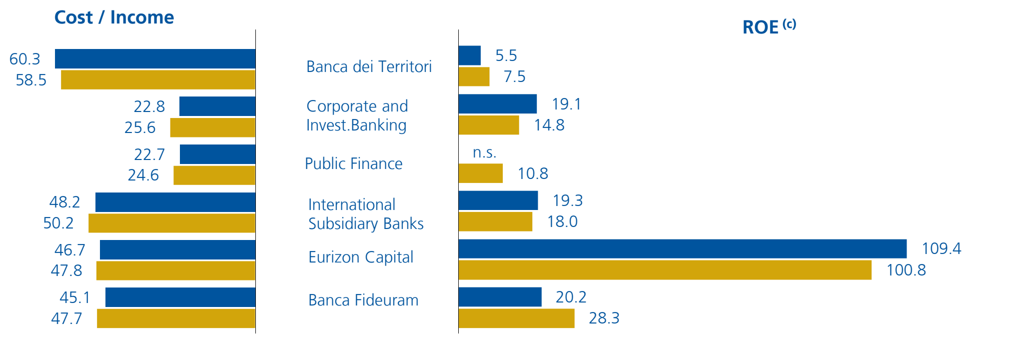
(°)
30.09.2011
31.12.2010

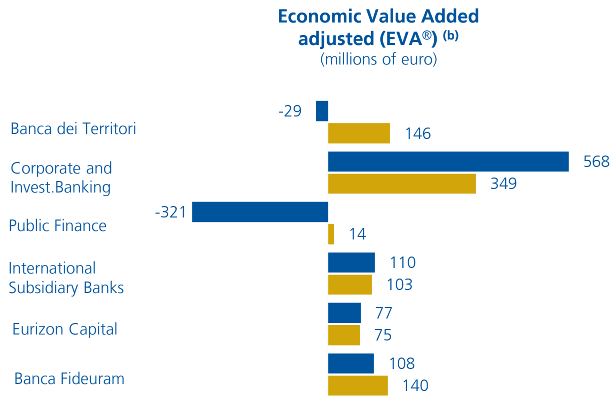
Other alternative performance measures (°)

Consolidated profitability ratios (%)

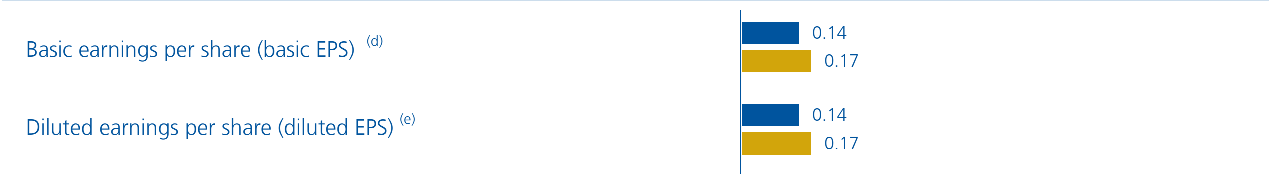


Profitability ratios by business area (%)





Earnings per share (euro)



Consolidated risk ratios (%)

	30.09.2011	31.12.2010
Net doubtful loans / Loans to customers	2.2	2.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	64.3	64.2

Consolidated capital ratios (%)[f]

	30.09.2011	31.12.2010
Tier 1 capital [g] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	10.2	7.9
Tier 1 capital [g] / Risk-weighted assets	11.6	9.4
Total capital [h] / Risk-weighted assets	14.7	13.2
Risk-weighted assets (millions of euro)	322,056	332,158

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

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

[b] The indicator, calculated excluding charges for integration and exit incentives 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] The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

[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.

(°)
30.09.2011
31.12.2010

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The outlook for economic recovery was further compromised in the third quarter of 2011. Specifically, two factors negatively influenced the overall scenario. Firstly, there was a widespread decline in the growth rates of orders and production, which also hit the economies of recently industrialised countries. Secondly, the expansion of the sovereign debt crisis in Europe heightened the climate of uncertainty among economic operators.
Though in the presence of growth in production and expansion in the GDP, which improved in the third quarter over the second, cycle-forecasting indicators decreased in Europe and the United States during the summer months. The worsening of the general climate of confidence and, specifically, the component regarding orders, resulted in a generalised reduction of estimates of growth for the rest of 2011 and for 2012.

In the eurozone, the economy continued to expand, supported by the sustained boost provided by Germany. Nonetheless, the severe restriction in fiscal policy and the worsening of financial conditions continued to penalise growth in peripheral countries. More so than in the second quarter, the economic scenario was affected by new developments in the sovereign debt crisis. At the beginning of July, a rapid expansion occurred in risk premia on Italian sovereign debt, which then remained volatile and at high levels for the entire quarter. On the ten-year maturity, as at 30 September, the BTP's yield was 368 basis points higher than the German Bund's, with a drop of 192 basis points from 30 June. The rise in risk premia also concerned other peripheral issuers, such as Spain, and in September began to affect a high-rated country such as France: the spread for ten-year French bonds on the equivalent German bonds is now stably higher than 110 basis points. The expansion of the crisis has once again made the inadequacy of the European response clear. The decisions of 21 July, adopted to respond to the difficulties of Italy and Spain, have not provided a credible, robust safeguard mechanism against further extension of the contagion. The Eurozone was thus forced to discuss new measures before the process of adoption of July's decisions was even completed.

The Italian economy's growth continued to be modest. In August, industrial production recorded an encouraging acceleration and the unemployment rate once again decreased slightly (to 7.9%). Nonetheless, both confidence surveys and other economic indicators show an outlook of significant slowdown in economic activity for the upcoming quarters. With the goal of correcting the imbalances in public finance, and under pressure from the markets, the Italian government announced two corrective measures: The first, in July, defined the adjustments to the budget for the two-year period of 2013-2014 in agreement with the European Stability Plan; the second, in September, moved the objective of balancing the budget up to 2013, in line with the conditions set by the ECB to guarantee support to the Italian government bond market. At the end of October, the further request to define structural measures to relaunch growth was not met yet.

Despite the tensions regarding debt, in July the ECB resolved a second increase in official rates from 1.25% to 1.50%. Nonetheless, the subsequent worsening of the financial and economic situation changed the Governing Council's opinion. In August, the ECB extended the bond purchase programme to Italian and Spanish government issues, calming the levels of spreads in the following weeks. Subsequently, from September to October, the ECB changed the orientation of its monetary policy and liquidity measures. The procedure of full allocation of the main refinancing transactions has been prolonged until July 2012. Moreover, two extraordinary auctions have been introduced on annual maturities and the covered bonds purchase programme has been renewed. In November, the ECB also cut the interest rate on main refinancing operations from 1.50% to 1.25%.
The performance of Euribor rates was affected by the fluctuating expectations regarding monetary policy. The monthly rate rose from 1.28% in June to 1.36% in September 2011. On six-monthly and annual maturities, rates remain more or less unchanged on monthly averages, with transitional peaks in July. A significant decreasing trend marked IRS rates on all maturities.

On the currency markets, the sovereign debt crisis and the changed expectations on interest rates had an effect on the Euro/USD exchange rate. The Euro weakened from 1.45 USD at the end of June to a minimum of 1.3169 USD at the beginning of October. The sovereign debt crisis was once again more violently reflected on the quotation of the Swiss franc, which benefited from its status as a safe haven currency. The Swiss franc repeatedly bettered its highest levels against the euro, reaching a peak of 1.01 CHF for one euro on 9 August. Subsequently, measures by the Swiss National Bank favoured the euro's return to above 1.20 CHF and, thus, a phase of stability which continued through October.

The S&P 500 index closed the period with a decline of 10%, after recording growth of 5% at the end of June. As a whole, the performance of the major stock exchanges in the eurozone was highly negative: the DAX recorded a downturn of 20.4% in the nine months; the French CAC index dropped by about the same amount (21.6%); the performance of the British market fared better, with the FTSE 100 at -13.1%. The EuroStoxx index showed negative performance of 21.7% since the beginning of the year, after a +2% at the end of the first half. The major Asian stock markets also showed weak performance: the Nikkei index closed the period with a downturn of 14.9%.
The performance of the Italian stock market was inferior to that of the major European markets, reflecting the growing concerns of investors regarding the sustainability of Italian sovereign debt and the stagnation of economic growth, as well as the

considerable weight of bonds on the index. The FTSE Italia All Shares index (-25.6%) and the FTSE MIB index (-26.4%) reported sharp losses in the third quarter, after having closed the first half substantially unchanged.

The emerging economies and markets

In the third quarter of 2011 emerging economies began to decelerate, due to the slowdown in advanced economies and, in certain contexts, of the fiscal consolidation policies and monetary restriction implemented on exiting the recessive phase of the cycle. In the period July-August, the trend growth rate in industrial production of a sample including the main emerging economies slowed to 2.3% from 3.5% in the first half of the year.

Given the strong trade and financial links with the most advanced European countries, Central European and South Asian countries were particularly affected by the slowdown in the economies of their Western partners and the financial turbulence on the related markets. For this year, the trend in the GDP is expected to be between 1% and 2% in most countries, with few exceptions, among which Poland stands out, which, though in an election year, is expected to grow at a rate of slightly less than 4%. CIS countries, with overall GDP growth expected to be around 4% for the entire year, remain exposed to the risk of inversion of the commodity cycle caused by the slowdown in the global economy.
In addition to the deterioration of the international economic situation, the economies of MENA countries (Middle East and North Africa) most involved with the ongoing political revolts, such as Tunisia, Egypt, Libya, Syria and Yemen, are feeling the negative effects of the slowdown and stoppage of certain production and trade activities, on the one hand, and, on the other, lower inflows from tourism, remittances from emigrant workers and direct investments. In the first half of 2011, Egypt recorded a drop of around 2% in the GDP compared to an increase of 5.6% in the previous half year, which reduced growth for the entire fiscal year 2011 (which ended in June) to 1.8%. In the region, stabilisation of the political scenario, required in order to relaunch economies, is proceeding slowly.

The weakening of the economic situation and the drop in commodity prices are favouring the gradual reduction of inflationary pressures. The trend rate of price increases for a composite basket including the major emerging economies slowed from 6.9% last June to 6.5% in September. Specifically, from June to September, the trend rate dropped from 9.4% to 7.3% in Russia, from 11.8% to 8.2% in Egypt and from 11.9% to 5.9% in Ukraine.
During the summer, monetary policy management in emerging countries took different approaches in relation to the diverse scenarios, in some cases remaining restrictive in order to contain pressures that continue to affect prices, in others taking a more accommodating approach due to the deterioration of the external scenario or concerns regarding financial vulnerability. From July to September, there were new, though modest, increases in the rates of several Asian countries (China, India and Vietnam), while in Latin America, at the start of September the Central Bank of Brazil reduced rates after five consecutive increases, and in other countries (Peru, Chile and Mexico) the Authorities stated that they are ready for future monetary easing actions. In Eastern Europe, in most cases the Central Banks remained steady, as in Hungary, or reduced rates, such as in Serbia, inverting the previous direction of monetary policy orientation. In the remainder of 2011, the action of monetary authorities will continue to be based on caution, due to the deterioration of the international economic scenario.

Concerns over the outlook for the economy gave rise to significant reductions in stock prices on the markets. From July to September, the Morgan Stanley Capital International (MSCI) index, a composite index of emerging countries, dropped by 16.5%, accentuating the declining phase already recorded in the two previous quarters. The drop in Central-Eastern European markets was particularly sharp, as they are more exposed to the financial turbulence in the eurozone. During the quarter, losses of 40% were posted in Ukraine, 30% in Russia and Hungary, 21% in Romania and 17% in Croatia. In Egypt the drop was 23%.
Parallely, the Emerging Markets Bond Index Plus (EMBI+) spread composite rose to 420 basis points at the end of September from 260 at the end of June. On average, however, this expansion was lower than the dynamic in the spreads of several peripheral countries of the eurozone. Among Eastern European countries, the expansion of the spread was largest in Hungary and Ukraine.
On the currency markets, the increased uncertainty regarding the outlook for the European economy in the international scenario rewarded the dollar which appreciated by 6% on currencies of emerging countries in the third quarter of the year. Latin American currencies were particularly weak, specifically the Brazilian real and the Mexican peso, depreciating on the dollar by over 18%, and the other currencies of countries that export raw materials, such as the South African rand (-18.5%). In Central-Eastern European countries with flexible exchange rates, numerous currencies depreciated, moving far from the route of presumed equilibrium. The Hungarian forint and the Polish zloty were particularly weak (both depreciating by almost 20% on the Euro). The Russian rouble also depreciated (-13.5% on the dollar), while in Ukraine, where the Central Bank implemented vigorous defence mechanisms, the currency showed greater stability.
In the third quarter, the rating agencies downgraded and/or cut the outlook of many mature countries. In the group of emerging countries, upgrades and/or changes of views to positive prevailed, involving, among others, the Czech Republic, Ukraine, Uruguay and Panama. Nonetheless, at the end of September, Fitch cut Slovenia's rating.

The Italian banking system

Rates and spreads

The tensions on the sovereign debt market had significant effects on banks' access to the wholesale liquidity market and the medium/long-term debt market. Specifically, the expansion of the risk premium on Italian government bonds was reflected on the banks' funding costs.
Bank rates continued the trend towards gradual increases, affected by the rise in official rates implemented by the ECB in July and, subsequently, by the policy of adjusting rates on new loans as a result of the increase in the cost of funding. The rate on new business loans, which was more reactive to the adjustment to official rates, increased in the third quarter by an average of about 30 basis points. The increases concerned both larger loans and smaller loans, to the extent that rates on new business loans were aligned with average European rates, after a long period of being more favourable to Italian borrowers. The rates on new mortgage loans to households also confirmed the increasing trend in the third quarter, especially floating rate disbursements. Despite the increases, the rates on new loans to businesses and households remained at record lows.
Rates on outstanding loans were very gradually reflecting the rises in the rates of new disbursements. In the third quarter, the average rate on loans to households and non-financial companies moved slowly, rising to levels it had not reached for two years, specifically as a consequence of the increase in rates on short-term loans to non-financial companies.
Significant increases continued in new inflows via repurchase agreements and time deposits. On the contrary, the average rate on current accounts recorded marginal increases, more significant for deposits from non-financial companies. With regard to the cost of bond funding, the average rate for the industry only partially reflected the tensions on the wholesale market: nonetheless, the increase recorded in the rate for new issues provides proof of the higher cost of medium/long-term funding. The rate on outstanding bonds, which is structurally stickier, rose by a smaller amount. As a result, the rate on overall funding increased extremely gradually.

Margins on lending and deposit collecting activities remained at low levels, but showed signs of expansion. The upwards revision of rates on loans and the stickiness of rates on funding led to a level of the spread of average rates on outstanding loans and deposits slightly higher than the minimums of the previous months (2.2% in the third quarter compared to 2.1% in the first half 2011 and to 2.15% average in 2010). The spread on funding, measured on short-term interest rates, once again reached its highest values in the third quarter of 2011 since the beginning of 2009 (mark-down[1] on the 1-month Euribor rate rose to 0.84% in the third quarter and to 0.69% on average in the first nine months of 2011, from 0.20% in the same period of 2010). As for the mark-up[2] on the 1-month Euribor, after the decline recorded in the second quarter, a recovery occurred, linked to the policies of reviewing bank rates (3.3% in August compared to 3.1% in the second quarter of 2011). As a result, the gradual expansion of the short-term spread continued, returning to over 4% (to 4.1% in the July-August period from 3.85% in the second quarter of 2011).

Loans

In the third quarter, bank loans showed the first signs of a slowdown. Overall, loans to households and businesses grew at a good rate, indicating that, at least up to September, the tensions regarding sovereign debt and bank funding conditions had limited impacts on lending to the economy. Nonetheless, it is clear that the drive towards expansion underwent a slowdown which could worsen due to the persistent tensions in place.
The growth in lending to non-financial companies slowed just slightly, driven by the intense dynamic in short-term loans, which accelerated compared to the first part of the year. Medium/long-term loans to non-financial companies were weaker and slowed compared to the first half of the year. Breaking down loans by the size of the borrower, the first signs of slowdown in lending emerged both for medium/large enterprises, which started recovering only from the beginning of 2011, and for smaller enterprises. Lending to family businesses showed a sharper slowdown, even though the trend remained more positive than that of non-financial companies. Overall, loans to the production sector showed weaker growth in the summer months than the post-recession peaks reached in May-June. During the period, there was also a slight slowdown in loans to households, concurrent with the gradual deceleration in residential mortgages following two years of sustained growth. In comparison with the rest of Europe, the growth of the Italian banks’ lending activity was stronger than the eurozone average, both for loans to households and for loans to non-financial companies.

Direct deposits

The customer funding of Italian banks continued to show growth in bonds and a weakness in deposits from domestic customers. Moreover, deposits of non-residents, mainly referring to international banks, began to fall once again, following several months of recovery which began at the end of 2010, a sign of the difficulties Italian banks are having in accessing international funding markets as a result of the tensions in the sovereign debt market.
Internal deposits of households and businesses remained positive, though modest. In terms of funding types, the decrease in current accounts slowed, while time deposits confirmed their increasing trend. Italian banks' use of refinancing with the Eurosystem also increased.
In the third quarter, the annual growth in stocks of bank bonds was higher than 4.5%, especially as a result of the issues carried out in the first part of 2011, while in July and August bond funding on the wholesale market was reduced to almost zero. In this context, difficulties on the market were covered by retail bond funding. Overall, in the first eight months of the year, net issues by Italian banks totalled almost 41 billion euro, with gross cumulative issues amounting to slightly less than 190 billion euro.

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

Thanks to these results, the trend in Italian bank bonds remained better than the eurozone average, which was marked by stagnating performance.

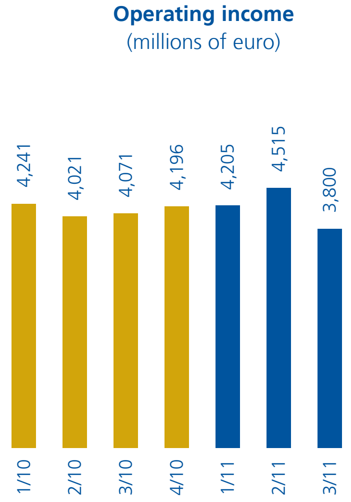
Indirect deposits and asset management

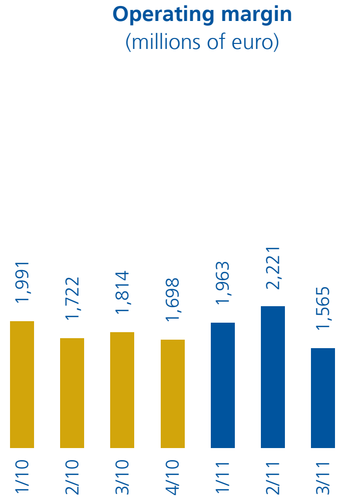
As regards banks' assets under administration, the recovery in debt securities deposits of households and businesses (debt securities at nominal value and inclusive of bank bonds) continued. In particular, the growth in debt securities under custody on behalf of consumer households accelerated further, reaching the highest level in two years. There was also a positive trend in securities deposits of non financial companies and family businesses. These trends confirm the ongoing process of recomposition of household portfolios towards higher-yield instruments, on one hand, and the positive contribution from bank customers in absorbing bond issues and government securities, on the other.
With regard to assets under management, during the summer months, the Italian market for open-ended mutual funds was once again marked by redemptions greater than new inflows. Since the beginning of the year, the positive net inflows into foreign funds have not offset the outflows from Italian funds. In the third quarter, compared to the first part of the year, the negative trend in cash monetary funds reversed, while redemptions from equity and bond funds increased. At the end of September, the assets managed by the industry amounted to 424 billion euro, down by 5.6% from the same month of the previous year, and by 6.3% from the end of 2010.
As to the insurance sector, the drop in production in the life business continued also in the summer months, with 38 billion euro in new policies sold in the first eight months of the year, 30% less than in the same period of the previous year. Business through bank and post office branches was marked by a decline, in line with the overall life insurance market (-30.2% year over year). The portion of policies sold by the bank and post office channel amounted to 73% of the total in the first eight months of the year.

Intesa Sanpaolo in the nine months of 2011

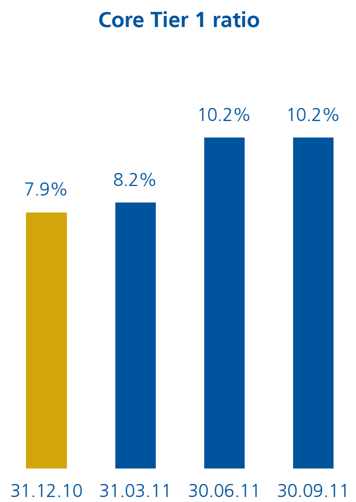
As described above, the operating context of the nine months of 2011 was significantly influenced by the widespread worsening of production, which also hit recently industrialised countries, and by the expansion of the sovereign debt crisis in Europe. The volatility of financial markets, which marked the entire period, became more pronounced in the third quarter. The deterioration of the climate of confidence, the restrictive fiscal policies and worsening financial conditions have negatively affected the peripheral countries. At the beginning of July, a rapid expansion occurred in risk premia on Italian sovereign debt, which remained at high levels for the entire quarter. The Italian economy continued to grow at a modest rate.
The uncertainties regarding the economic cycle and the tensions regarding Italy's debt negatively influenced the performance of the banking system. The nine months of 2011 of Intesa Sanpaolo ended with a net income of 1,929 million euro, down approximately 12% on the 2,200 million euro of the same period of 2010. This performance was influenced by the presence, in both periods, of income and charges whose nature or amount are non-recurring.
Indeed, the net income of the nine months of 2010 had benefited from a marked capital gain coming from the disposal of securities services activities (648 million euro). In 2011, the effects (approximately 1,100 million euro) of the tax realignment of goodwill recorded in the consolidated financial statements were felt, regarding increased values of controlling interests deriving from extraordinary transactions and acquisition of interests, permitted by Law Decree 98/2011. The income statement for the period also benefited from capital gains on the sale of the remaining 25% stake held in Findomestic to BNP Paribas and of the 4% of the equity stake in Prada (respectively 128 million euro and 253 million euro net income) and from capital gains on the sale of the equity stake in the Cassa di Risparmio della Spezia and of 96 branches to Crédit Agricole (with total net income of 145 million euro). Moreover, a large part of these benefits were absorbed by the significant impairment on financial assets required as a result of the worsening of Greek debt situation (618 million euro gross in the nine months, 441 million euro, net of the tax effect), charges relating to exit incentives (471 million euro, net of discounting and the related tax effect) in relation to the agreement with trade unions of 29 July and the impairment recorded on the investment held in Telco (total effect on net income of 127 million euro).

More specifically, operating income grew 1.5% compared to the nine months 2010, mainly as a consequence of trading activities, whose amount was influenced by the mentioned capital gains on the sale of stakes in Findomestic and Prada in the context of the global offer linked to the company’s listing on the Hong Kong stock exchange. Operating margin grew by 4%, also as a result of the steady effort to contain operating costs, while income before tax from continuing operations (-7.6%) was penalised by the significant impairment on Greek bonds.



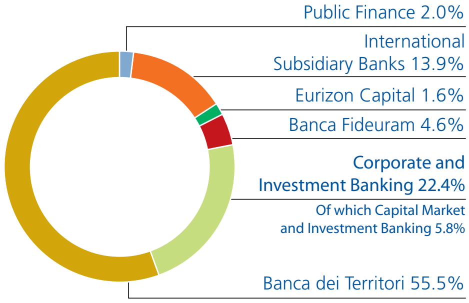


With regard to liquidity, 73% of customer deposits derives from the retail segment and, therefore, is highly stable.
Eligible assets with central banks remain at significant levels (around 32 billion euro at 30 September 2011).
In terms of capital solidity, following the share capital increase, the capital ratios are at suitable levels, as confirmed by the recent tests carried out by the European Banking Authority (EBA) as regards the recapitalisation needs of Europe's banks. As at 30 September 2011 the Intesa Sanpaolo Group's Core Tier 1 was confirmed at 10.2%, despite the acquisition of Banca Monte Parma, which had a negative impact of 12 bps on the ratio.



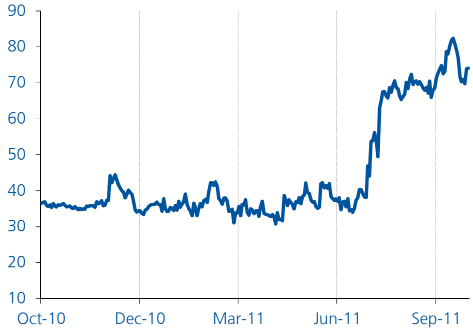
The risk profile remains at low levels - despite an increase mainly resulting from the volatility of spreads in the Italian government segment and securities transactions in the segment - in line with the Group's intention to continue to privilege retail banking operations. Intesa Sanpaolo's leverage (ratio of tangible assets to tangible net shareholders' equity), equal to 20.5, remains very low.

Operating income:
Breakdown by business area (1)



(1) Excluding Corporate Centre

Market risks trend:
VaR (millions of euro)



At the level of individual aggregates, the income statement for the nine months registered 7,239 million euro in net interest income, decreasing slightly (-0,7%) compared to the same period of 2010. Interbank market rates showed signs of recovery compared to the minimum levels recorded last year, resulting in an increase in the mark-down and a narrowing of the margin on loans.
The services segment generated net fee and commission income of 4,127 million euro, a contribution which, in aggregate terms, is largely unchanged (-0.2%) from September 2010, as a result of a small decrease in fees and commissions on management and dealing of financial instruments (-1.4%), and improvement in the component relating to commercial banking activities (+1.2%).
Profits on trading amounted to 747 million euro, significantly increasing on the 340 million euro reported on 30 September 2010. This result was due to the already mentioned capital gains on the disposal of the remaining 25% equity stake in Findomestic (154 million euro before tax, 128 million euro net of minority interest and tax) and on the disposal of the 4% stake in Prada (272 million euro before tax, 253 million euro after tax).
Income from the insurance business amounted to 335 million euro, down compared to the 528 million in the same period of 2010, essentially due to the unfavourable trend in investment results, penalised by unrealised capital losses resulting from tensions on the market.
Operating income amounted to 12,520 million euro as at 30 September 2011, up - as previously indicated - by 1.5% on the same period of the previous year, a result mainly driven by the above-mentioned profits from trading.
The Group continues to monitor operating costs carefully and implement ongoing structural cost-containment measures. The amount of operating costs, equal to 6,771 million euro, is lower (-0.5%) than the amount as at 30 September 2010. Specifically, both personnel expenses (-0.7%) and administrative expenses (-1.6%) decreased, while adjustments showed moderate growth.
As a consequence of the above trends, the operating margin totalled 5,749 million euro, up by 4% compared to the same period of 2010.
Net provisions for risks and adjustments (3,021 million euro) show an overall increase of around 19% on the same period of the previous year, entirely attributable to the adjustments required as a result of the worsening of Greek debt situation (618 million euro), which fully absorbed the decrease in provisions for risks and charges (approximately 49%, to 112 million euro) and lower adjustments to loans (3.3% to 2,200 million euro).
Profits and losses on investments held to maturity and on other investments also includes the capital gain made on the assets sold to Crédit Agricole (145 million net profits), which was almost wholly offset by the impairment on the equity investment in Telco (-132 million euro recorded under this caption).
Thus, income before tax from continuing operations was 2,768 million euro, down 7.6% compared to the same period of 2010.
Taxes amounted to 66 million euro compared to 1,092 million euro in the same period of 2010. The low amount is attributable to the exercise of the option, provided by Law Decree 98/2011, to realign the values of intangible assets recorded in the consolidated financial statements to the tax values; these intangible assets regard the increased values of controlling interests (deriving from extraordinary transactions and acquisition of interests).
The net income for the period was also affected by charges for integration and exit incentives of almost 500 million euro, net of related taxes, most of which (471 million euro) is to be attributed to personnel expenses related to the staff downsizing as a result of the agreement signed with the trade unions in July, as envisaged in the 2011-2013/15 Business Plan. After recording 254 million euro in amortisation of purchase prices and after deducting minority interest of 20 million euro, the net income came to 1,929 million euro, down by approximately 12% on 30 September 2010.

Comparing the results of the third quarter with the previous quarter, shows a decrease in net income (527 million euro compared to 741 million euro in the second quarter), attributable to the lack of contribution from profits on trading – which in the previous quarter had benefited from the capital gains on the disposal of stakes in Prada and Findomestic, the lower income from the insurance business and the required impairment of Greek bonds. The aforementioned charges for exit incentives also had a significant effect. These dynamics were partly offset by lower provisions for risks and charges, lesser need for adjustments to loans and the positive effect of the tax realignment of intangible assets.

The performance of the balance sheet aggregates confirms the Group's sound financial position. The decrease in direct customer deposits (approximately -7.5% to 395.2 billion euro) is mainly due to the reduction in short-term funding from institutional

customers, replaced by an increase in interbank funding (approximately +38% to 73 billion euro), as part of the strategy of optimising the cost of funding.
Loans to customers reported a balance of 381 billion euro, up by 2.4 billion (+0.6%) on the end of the previous year, as a result of the positive trend in commercial banking loans (mortgages and, primarily, current accounts), partly absorbed by the decline in repurchase agreements.
Indirect customer deposits came to 407 billion euro, down compared to the value recorded as at 31 December 2010 (-4.7%) both in assets under administration (-5.6% to approximately 182 billion euro) and assets under management (-4% to approximately 224 billion euro). Both segments were affected by the impairment of assets in the portfolio, in the stock components, which was impacted by the heavy decreases in prices, as well as the bond components, penalised by the instability in the Eurozone’s sovereign debt.

As for the various business units, Banca dei Territori reported net income of 405 million euro, down by approximately 38% compared to the nine months of 2010, mainly due to the lower contribution of net interest income and income from insurance business, only partly offset by operating cost containment and a lesser need for adjustments to loans and provisions; the Corporate and Investment Banking division closed the income statement for the period with net income of 1,167 million euro, up by almost 14% due to the positive performance in operating income, which benefited from higher profits on trading and fee and commission income. On the contrary, Public Finance recorded a loss of 235 million euro, compared to net income of 101 million euro in September 2010, as it was penalised by the significant impairment on Greek bonds (net of said impairment, profits would have amounted to 107 million euro). The International Subsidiary Banks division closed the period with net income of 344 million euro, up by approximately 6% as a result of growth in operating income, attributable to the positive trend in the interest margin. Despite the difficult operating context, the asset management segment also recorded positive results: Eurizon Capital, 54 million euro in net income (up by approximately 4%), Banca Fideuram, 73 million euro in net income (down by approximately 25% due to the impairment on Greek debt; net of these adjustments, net income would have amounted to 145 million euro).

Significant events

Highlights in the third quarter

On 26 July Intesa Sanpaolo finalised the acquisition of 51.0% and 9.8% of shares of Banca Monte Parma, from Fondazione Monte Parma and Banca Sella Group respectively, with a provisional total outlay of approximately 158 million euro. According to the agreements, this price shall be subject to adjustment, upwards or downwards, based on the amount of the bank's gross income and shareholders' equity at the date of execution of the agreement. Following the purchase of the shares, Intesa Sanpaolo holds 60.8% of shares of Banca Monte Parma. By virtue of an additional, parallel transaction between the remaining shareholders, Fondazione Monte Parma holds 21.0% of shares, Fondazione Piacenza e Vigevano holds 15.2%, Compagnia Generale e Immobiliare holds 2.5%, and Others hold 0.5%. There is also a put & call agreement in place with Fondazione Monte di Parma on 3.25% of the bank's capital, to be exercised at the proportional price paid for the majority stake.
According to the contractual agreements, Intesa Sanpaolo is committed to subscribe, on a proportional basis, including any unopted shares, a share capital increase of 120 million euro (divided into two tranches of 75 million euro and 45 million euro) resolved by the bank on 13 December 2010.
As at 30 September 2011, Banca Monte Parma direct customer deposits amounted to about 2.2 billion euro and customer loans amounted to about 2.6 billion euro.

On 29 July 2011 Intesa Sanpaolo and the trade unions signed a Master Agreement to implement the downsizing of staff by at least 3,000, envisaged in the 2011 – 2013/15 Business Plan, as well as the requalification of an additional 5,000 staff, with a view to structurally reducing labour costs by at least 300 million euro.
The agreement is organised into two separate parts, relating to the different status of personnel: Part A governs the exit of staff who have accrued or will accrue the right to receive a pension by 1 July 2015; Part B provides for optional access to the specific "solidarity allowance” for staff who will accrue the right to receive a pension after 31 December 2013, with receipt by 1 January 2018.
All of the people covered by the first part of the agreement (2,500) have defined with their companies and signed the commitment to leave their jobs within the agreed time frames, while there were more requests to access the solidarity allowance than the maximum number permitted by the agreement (2,500 people).
As a result, Intesa Sanpaolo will establish, based on company needs and in agreement with the trade unions, whether and the terms under which a number of persons exceeding the aforementioned maximum number of 2,500 can access the allowance.
While waiting to define the conduct to be adopted, in the quarterly report as at 30 September 2011, provisions were set aside in an allowance for specific purpose related to charges for exit incentives and the disbursement of the support cheque to those who will access the solidarity allowance, for the maximum amount provided by the agreement (700 million euro, which has decreased to 650 million euro due to the discounting of the charge in relation to the time the workers are expected to exit).

Following the lowering of the long-term and short-term ratings on Italy, on 21 September Standard & Poor’s lowered Intesa Sanpaolo's long-term rating to A (from A+), confirming its short-term rating and outlook. On 27 September the international agency Fitch affirmed the ratings assigned to Intesa Sanpaolo, revising the outlook from stable to negative. Following the downgrading of Italy, on 11 October Fitch lowered the Bank's ratings to A (from AA-) for long-term debt, to F1 (from F1+) for short-term debt and to a (from aa-) for the viability rating. The outlook is negative.
As a result of the downgrading of Italy's rating to A2 with a negative outlook, on 5 October Moody’s lowered Intesa Sanpaolo's long-term rating to A2 (from Aa3) and confirmed the short-term rating and Bank Financial Strength rating, with a negative outlook.

At the end of October, as part of the analysis conducted by the European Banking Authority (EBA) as regards the recapitalisation needs of Europe's banks in light of the market situation, it was confirmed that the Intesa Sanpaolo Group does not need additional capital. As at 30 June 2011 the Group had a 10.2% Core Tier 1 ratio. This would decrease to around 10% applying to the risk-weighted assets (RWAs) as at the same date the increase envisaged in the CRD3 provisions, as requested by the EBA analysis. Then, taking into account the capital buffer computed by the EBA against the Group's sovereign risk exposure recorded as at the same date, but measured on the basis of prices as at 30 September 2011, the Core Tier 1 ratio would be at around 9.2%, above the minimum level set at 9%. This is a preliminary and indicative result. It will be updated by the Authority to take into account the figures as at the end of September 2011.

Recognition of deferred tax assets on exercise of the options pursuant to art. 15, paragraphs 10-bis and 10-ter, Law Decree 185/08, converted into Law 2/09

As known, in 2008, 2009 and 2010, the Intesa Sanpaolo Group exercised the option of realignment of accounting values which were not recognised for tax purposes, envisaged by Article 15, paragraph 10 of Law Decree no. 185 of 29 November 2008, converted into Law no. 2 of 28 January 2009. Specifically, this provision allowed recognition for tax purposes of goodwill, trademarks and other intangible assets recorded in the separate financial statements as a result of a neutral extraordinary operation, through the payment of a substitute tax of 16%. This option was not permitted for intangible assets recorded only in the consolidated financial statements.
In the 2008 – 2010 three-year period, as a result of the aforementioned realignment, with a substitute tax charge of 1,689 million euro, the Group recorded higher deferred tax assets of 2,366 million euro and released deferred tax liabilities of 1,028 million euro, with a positive net effect of 1,705 million euro on the income statement.

Law Decree no. 98 of 6 July 2011, converted into Law no. 111 of 15 July 2011, introduced paragraphs 10-bis and 10-ter into the aforementioned Article 15 of Law Decree 185, which, under certain conditions, now allows for the realignment of intangible assets only recorded in the consolidated financial statements. Specifically, the intangible assets subject to realignment must be related to the higher values of controlling interests which must be understood as those included in the scope of consolidation based on the IAS/IFRS - recorded in the separate financial statements as a result of extraordinary operations that are tax-neutral (business contribution, merger, spin-off) or recognised for tax purposes (acquisitions of companies and equity investments).
In other words, as a result of the new provisions, companies may realign the value relating to intangible assets which contributed to forming the cost of the controlling interests and, consequently, for tax purposes, deduct the amortisation charges relating to the intangible assets subject to realignment, recorded in the consolidated financial statements. The realignment is performed via the payment of a substitute tax of 16% by 30 November 2011.
The legislative intervention implemented via Law Decree no. 98/11 is aimed at removing the inequality of treatment of companies which concentrate their operations internally - which, in the case of neutral extraordinary operations, may directly revaluate intangible assets recorded in the separate financial statements, by applying Article 15, paragraph 10 of Law Decree 185/08 - and companies which carry out operations through subsidiaries - which, therefore, express the value of these assets through the value of equity investments.

According to the new regulations, the methods for implementing the realignment of intangible assets embedded in the higher value of investments must be determined via an Order of the Director of the Agenzia delle Entrate, which was not issued at the date this Report was drawn up, which should resolve the doubts that arose regarding application.
While waiting for this Order, Intesa Sanpaolo deemed it suitable to realign only the goodwill recorded in the 2010 Consolidated Financial Statements, to which the regulation is applicable based on a highly prudent interpretation, reserving the right to realign additional intangible assets, if possible, once said Order is issued.
The goodwill realigned amounts to a total of 6,700 million euro, and is recorded in the 2010 Consolidated Financial Statements following the allocation of the purchase price of Sanpaolo IMI to the value of equity interests (Article 15, paragraph 10-bis) and acquisitions of controlling interests (Article 15, paragraph 10-ter).

Exercise of the option will result in the payment of substitute tax of 16%, amounting to 1,072 million euro, by 30 November 2011. Amortisation of the higher value recognised for tax purposes as a result of the realignment will be deducted from income on a non-accounting basis over ten years from 2013, applying the tax rates valid at the time, for a total amount, based on the tax rates currently in force, of 2,172 million euro.
No deferred tax liabilities have been provisioned for the goodwill recognised.
The net positive effect of the transaction on the 2011 income statement, adopting the accounting treatment described below, is 1,100 million euro.
The detailed statement of the amounts referring to each individual investment is shown below.

(millions of euro)

	Goodwill	Substitute tax	Deferred tax assets	Impact on the income statement
Sanpaolo IMI Purchase Price Allocation				
Banca IMI	1,310	210	425	215
Banco di Napoli	1,180	189	383	194
Cassa di Risparmio del Veneto	280	45	91	46
Cassa di Risparmio di Venezia	175	28	57	29
Banca dell'Adriatico	40	6	13	7
CariBologna	35	6	11	5
Cassa di Risparmio del Fiuli Venezia Giulia	20	3	6	3
ISP Trust Company	10	2	3	1
BIIS (former OPI)	10	2	3	1
	3,060	**490**	**992**	**502**
Acquisition of controlling interests				
Carifirenze Group	2,270	363	737	374
Bank of Alexandria	965	154	313	159
Eurizon Capital (former Eurizon Investimenti)	335	54	108	54
American Bank of Albania	70	11	22	11
	3,640	**582**	**1,180**	**598**
GROUP TOTAL	**6,700**	**1,072**	**2,172**	**1,100**

The accounting treatment of tax realignment presents various problems.
In the case of realignment of goodwill, accounting treatment is susceptible to different interpretation, given that there is no specific provision in IAS 12 regarding the recognition for tax purposes of goodwill after initial entry. IAS 12 merely forbids the recognition of deferred tax assets on initial entry of goodwill from acquisitions not recognised for tax purposes.
Analysis performed in this regard led the Italian accounting profession to issue an application document in February 2009, which considers various accounting treatments as compatible with IFRS. Of the three solutions hypothesised, Intesa Sanpaolo decided, as it previously had, to apply the treatment involving the immediate recognition to the income statement of both the substitute tax and the deferred tax assets representing the future tax benefit, calculated at the standard rate. In this way the financial statements immediately and fully reflect the benefit achieved from realignment.
The realignment of goodwill led to the recognition of future tax benefits of 2,172 million euro in the quarterly financial statements as at 30 September 2011, with a balancing entry in the income statement.
Substitute tax was concurrently recognised to the income statement for a total of 1,072 million euro, with a positive balance that increases net profits of the quarter by 1,100 million euro.

Forecast for the whole 2011

The significant worsening of the confidence indices of households and businesses forecasts a slowdown in economic activity in EU countries during the fourth quarter. The size of the slowdown will also depend on the evolution of the sovereign debt crisis, which has a growing negative influence on expectations of companies and consumers.
In Italy and other peripheral European countries, the austerity measures decided to accelerate the recovery of public accounts and the worsening of financial conditions will negatively impact internal demand. A modest contraction in the Italian GDP in the fourth quarter of 2011 cannot be ruled out.
In terms of official rates, market operators have strong expectations that the ECB will return official rates to the levels of the start of 2011 within a few months. Medium and long-term rates will remain at particularly low levels for the rest of the year. The performance of sovereign spreads will be affected by the trend in the European safeguard mechanism and the ability of individual governments to reconquer the confidence of the markets through convincing plans for recovery and renewal of the countries' economic structures.
The difficult context will continue to exercise a negative influence on banking activities. It is likely that the continuing high risk premium on Italian debt will have long-term effects on the cost of bank funding, whose rise will be transmitted to rates on loans. Alongside these events, the economic slowdown and the deterioration of the climate of confidence will contribute to causing a gradual deceleration in loans in the last part of 2011. In a market climate adverse to Italy risk, the attention and prudent management of liquidity and bank funding will continue, favouring domestic sources. In this scenario, the Intesa Sanpaolo Group’s performance in 2011 is expected to be consistent with the 2011-2013/2015 Business Plan, which sets out a key priority for the Bank of ensuring 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.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets	30.09.2011	31.12.2010	Changes amount	Changes %
Financial assets held for trading	69,934	71,945	-2,011	-2.8
Financial assets designated at fair value through profit and loss	35,212	35,550	-338	-1.0
Financial assets available for sale	70,950	61,835	9,115	14.7
Investments held to maturity	2,872	3,858	-986	-25.6
Due from banks	40,449	41,494	-1,045	-2.5
Loans to customers	381,192	378,827	2,365	0.6
Investments in associates and companies subject to joint control	2,732	2,712	20	0.7
Property, equipment and intangible assets	30,876	31,076	-200	-0.6
Tax assets	11,259	8,769	2,490	28.4
Non-current assets held for sale and discontinued operations	30	75	-45	-60.0
Other assets	21,816	20,884	932	4.5
Total Assets	**667,322**	**657,025**	**10,297**	**1.6**

Liabilities and Shareholders' Equity	30.09.2011	31.12.2010	Changes amount	Changes %
Due to banks	72,978	52,972	20,006	37.8
Due to customers and securities issued	369,459	399,177	-29,718	-7.4
Financial liabilities held for trading	53,952	45,044	8,908	19.8
Financial liabilities designated at fair value through profit and loss	23,558	26,144	-2,586	-9.9
Tax liabilities	4,857	3,253	1,604	49.3
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	26,697	20,941	5,756	27.5
Technical reserves	52,217	50,188	2,029	4.0
Allowances for specific purpose	4,978	4,644	334	7.2
Share capital	8,546	6,647	1,899	28.6
Reserves	49,906	45,235	4,671	10.3
Valuation reserves	-2,827	-1,054	1,773	
Minority interests	1,072	1,129	-57	-5.0
Net income	1,929	2,705	-776	-28.7
Total Liabilities and Shareholders' Equity	**667,322**	**657,025**	**10,297**	**1.6**

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

Quarterly development of the consolidated balance sheet

(millions of euro)

Assets	2011			2010			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	69,934	60,584	61,141	71,945	90,565	98,522	84,023
Financial assets designated at fair value through profit and loss	35,212	36,303	36,349	35,550	33,253	32,974	33,432
Financial assets available for sale	70,950	69,007	64,845	61,835	60,541	55,199	55,627
Investments held to maturity	2,872	2,865	3,021	3,858	4,224	4,326	4,365
Due from banks	40,449	43,258	40,449	41,494	44,132	46,975	46,275
Loans to customers	381,192	374,979	377,252	378,827	378,157	374,901	370,968
Investments in associates and companies subject to joint control	2,732	2,694	2,817	2,712	2,360	2,348	2,328
Property, equipment and intangible assets	30,876	30,798	30,903	31,076	30,589	30,779	30,671
Tax assets	11,259	7,886	8,079	8,769	7,861	8,133	7,564
Non-current assets held for sale and discontinued operations	30	38	35	75	48	35	7,741
Other assets	21,816	19,182	20,703	20,884	23,853	26,291	27,552
Total Assets	**667,322**	**647,594**	**645,594**	**657,025**	**675,583**	**680,483**	**670,546**

Liabilities and Shareholders' Equity	2011			2010			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	72,978	50,182	51,087	52,972	47,326	49,753	45,503
Due to customers and securities issued	369,459	389,511	392,736	399,177	406,472	410,986	403,229
Financial liabilities held for trading	53,952	38,216	37,431	45,044	58,139	56,413	48,349
Financial liabilities designated at fair value through profit and loss	23,558	24,729	25,201	26,144	26,357	26,430	27,692
Tax liabilities	4,857	3,299	3,342	3,253	3,032	2,857	3,772
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	9,375
Other liabilities	26,697	24,330	23,765	20,941	26,062	26,537	24,704
Technical reserves	52,217	52,887	51,896	50,188	49,585	48,612	47,947
Allowances for specific purpose	4,978	4,405	4,561	4,644	4,557	4,612	4,791
Share capital	8,546	8,546	6,647	6,647	6,647	6,647	6,647
Reserves	49,906	49,924	47,920	45,235	45,265	45,317	46,358
Valuation reserves	-2,827	-937	-766	-1,054	-1,134	-1,120	-339
Minority interests	1,072	1,100	1,113	1,129	1,075	1,749	1,830
Net income	1,929	1,402	661	2,705	2,200	1,690	688
Total Liabilities and Shareholders' Equity	**667,322**	**647,594**	**645,594**	**657,025**	**675,583**	**680,483**	**670,546**

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

Consolidated income statement

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	7,239	7,292	-53	-0.7
Dividends and profits (losses) on investments carried at equity	67	18	49	
Net fee and commission income	4,127	4,135	-8	-0.2
Profits (Losses) on trading	747	340	407	
Income from insurance business	335	528	-193	-36.6
Other operating income (expenses)	5	20	-15	-75.0
Operating income	**12,520**	**12,333**	**187**	**1.5**
Personnel expenses	-4,071	-4,098	-27	-0.7
Other administrative expenses	-2,239	-2,276	-37	-1.6
Adjustments to property, equipment and intangible assets	-461	-432	29	6.7
Operating costs	**-6,771**	**-6,806**	**-35**	**-0.5**
Operating margin	**5,749**	**5,527**	**222**	**4.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-112	-218	-106	-48.6
Net adjustments to loans	-2,200	-2,275	-75	-3.3
Net impairment losses on other assets	-709	-48	661	
Profits (Losses) on investments held to maturity and on other investments	40	11	29	
Income (Loss) before tax from continuing operations	**2,768**	**2,997**	**-229**	**-7.6**
Taxes on income from continuing operations	-66	-1,092	-1,026	-94.0
Charges (net of tax) for integration and exit incentives	-499	-54	445	
Effect of purchase price allocation (net of tax)	-254	-294	-40	-13.6
Income (Loss) after tax from discontinued operations	-	691	-691	
Minority interests	-20	-48	-28	-58.3
Net income	**1,929**	**2,200**	**-271**	**-12.3**
Basic EPS - euro	**0.14**	**0.17**		
Diluted EPS - euro	**0.14**	**0.17**		

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

Quarterly development of the consolidated income statement

(millions of euro)

	2011			2010			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,479	2,368	2,392	2,408	2,453	2,442	2,397
Dividends and profits (losses) on investments carried at equity	26	34	7	11	-5	26	-3
Net fee and commission income	1,322	1,410	1,395	1,517	1,328	1,404	1,403
Profits (Losses) on trading	-74	541	280	120	126	-4	218
Income from insurance business	50	165	120	126	173	151	204
Other operating income (expenses)	-3	-3	11	14	-4	2	22
Operating income	**3,800**	**4,515**	**4,205**	**4,196**	**4,071**	**4,021**	**4,241**
Personnel expenses	-1,324	-1,375	-1,372	-1,430	-1,364	-1,365	-1,369
Other administrative expenses	-752	-766	-721	-898	-751	-786	-739
Adjustments to property, equipment and intangible assets	-159	-153	-149	-170	-142	-148	-142
Operating costs	**-2,235**	**-2,294**	**-2,242**	**-2,498**	**-2,257**	**-2,299**	**-2,250**
Operating margin	**1,565**	**2,221**	**1,963**	**1,698**	**1,814**	**1,722**	**1,991**
Goodwill impairment	-	-	-	-	-	-	-
Net provisions for risks and charges	-18	-80	-14	-148	-32	-100	-86
Net adjustments to loans	-695	-823	-682	-895	-713	-808	-754
Net impairment losses on other assets	-635	-57	-17	-47	-5	-38	-5
Profits (Losses) on investments held to maturity and on other investments	7	19	14	262	-	1	10
Income (Loss) before tax from continuing operations	**224**	**1,280**	**1,264**	**870**	**1,064**	**777**	**1,156**
Taxes on income from continuing operations	894	-464	-496	-280	-416	-315	-361
Charges (net of tax) for integration and exit incentives	-483	-12	-4	-18	-11	-27	-16
Effect of purchase price allocation (net of tax)	-83	-85	-86	-102	-102	-100	-92
Income (Loss) after tax from discontinued operations	-	-	-	3	-	663	28
Minority interests	-25	22	-17	32	-25	4	-27
Net income	**527**	**741**	**661**	**505**	**510**	**1,002**	**688**

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

REPORT ON OPERATIONS

Economic results

In a scenario featuring a new slowdown in economic activity and marked by the negative effects of the sovereign debt crisis, the Intesa Sanpaolo Group achieved a net income of 1,929 million euro in the first nine months of 2011, compared to 2,200 million euro in the same period of the previous year. The net income for the third quarter came to 527 million euro, higher than that of the same quarter of 2010, but decreasing compared to the 741 million euro achieved in the second quarter of the current year.

Operating income

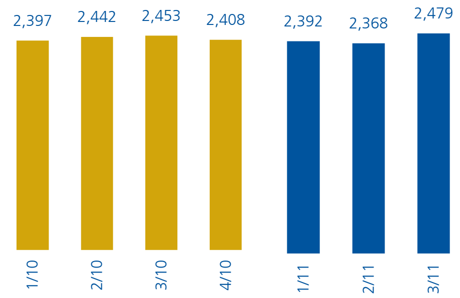
Operating income reported by the Group in the first nine months of 2011 amounted to 12,520 million euro, up by 1.5% compared to the same period in 2010.
The quarterly analysis shows a downward trend in operating income, with a 15.8% decrease between the second and third quarters.

Net interest income

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Relations with customers	8,758	7,833	925	11.8
Securities issued	-4,103	-3,876	227	5.9
Differentials on hedging derivatives	971	1,789	-818	-45.7
Customer dealing	**5,626**	**5,746**	**-120**	**-2.1**
Financial assets held for trading	478	533	-55	-10.3
Investments held to maturity	82	95	-13	-13.7
Financial assets available for sale	502	341	161	47.2
Financial assets	**1,062**	**969**	**93**	**9.6**
Relations with banks	**-34**	**79**	**-113**	
Non-performing assets	**650**	**559**	**91**	**16.3**
Other net interest income	**-65**	**-61**	**4**	**6.6**
Net interest income	**7,239**	**7,292**	**-53**	**-0.7**

Quarterly development of net interest income



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

The decline in the interest margin which began in 2010 has slowed. In the first nine months of 2011 net interest income stood at 7,239 million, down 0.7% compared to the same period in 2010. Interbank market rates showed signs of recovery compared to the minimum levels recorded last year, resulting in an increase in the mark-down and a narrowing of the margin on loans.
Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 5,626 million euro, down 2.1% compared to the first nine months of 2010 in relation to higher interest expense on securities issued. The decrease in hedging differentials was partly offset by wider margins related to short-term customer deposits. Furthermore, the differentials on hedging remain positive, confirming the effectiveness of transactions completed by the Treasury Department to contrast interest rate risk associated with demand deposits.
Net interest on the interbank market reported a negative balance of 34 million euro compared to a positive balance of 79 million euro achieved in the first nine months of 2010. Interest on financial assets rose by 9.6% as a result of the increase in assets available for sale.

(millions of euro)

	2011			Changes %	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Relations with customers	3,105	2,895	2,758	7.3	5.0
Securities issued	-1,381	-1,395	-1,327	-1.0	5.1
Differentials on hedging derivatives	220	318	433	-30.8	-26.6
Customer dealing	**1,944**	**1,818**	**1,864**	**6.9**	**-2.5**
Financial assets held for trading	167	164	147	1.8	11.6
Investments held to maturity	28	26	28	7.7	-7.1
Financial assets available for sale	201	162	139	24.1	16.5
Financial assets	**396**	**352**	**314**	**12.5**	**12.1**
Relations with banks	**-54**	**9**	**11**		**-18.2**
Non-performing assets	**217**	**211**	**222**	**2.8**	**-5.0**
Other net interest income	**-24**	**-22**	**-19**	**9.1**	**15.8**
Net interest income	**2,479**	**2,368**	**2,392**	**4.7**	**-1.0**

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

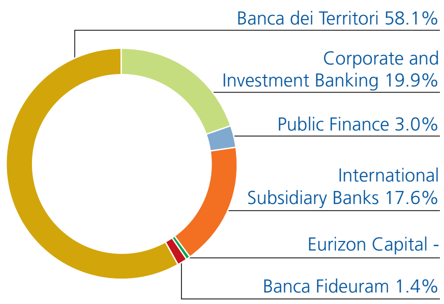
Quarterly analysis of the margin shows a recovery in the third quarter (+4.7% compared to the second quarter) following substantial stability in the first two quarters. Net interest income for the third quarter was higher than in the last seven quarters. The decrease in differentials on hedging and interest on securities is offset by an improved mark-down following widening of the spread.

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Banca dei Territori	4,313	4,434	-121	-2.7
Corporate and Investment Banking	1,479	1,458	21	1.4
Public Finance	222	209	13	6.2
International Subsidiary Banks	1,305	1,225	80	6.5
Eurizon Capital	1	1	-	-
Banca Fideuram	100	91	9	9.9
Total business areas	**7,420**	**7,418**	**2**	**-**
Corporate Centre	-181	-126	55	43.7
Intesa Sanpaolo Group	**7,239**	**7,292**	**-53**	**-0.7**

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

Business areas



Banca dei Territori, which accounts for approximately 58% of business area results, recorded a 2.7% decrease in net interest income, mainly due to the reduced mark-up on loans to customers, in the presence of an increase in market rates, and to the more limited benefits from hedging. These effects were also partly offset by an increase in the mark-down on deposits. Conversely, Corporate and Investment Banking recorded an increase in the interest margin (+1.4%), mainly attributable to the increase in average volumes of loans, driven largely by operations of factoring, leasing and structured finance product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio. Positive contributions also came from the International Subsidiary Banks (+6.5%), Public Finance (+6.2%), as a result of the increase in average spreads for customers and the steady rate of operations targeted to Italian and foreign customers, and Banca Fideuram (+9.9%), which benefited from the upward trend in short-term interest rates on the floating rate portfolio in the first part of the year, which more than offset the contraction in average volumes.

Dividends and profits on investments carried at equity

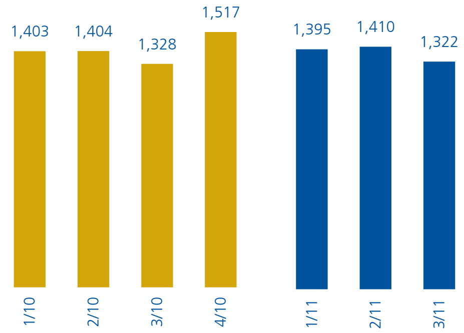
Dividends and profits on investments carried at equity came to 67 million euro in the first nine months of 2011, essentially attributable to the inclusion of the dividend on the Bank of Italy investment and the valuation of associates.
The dividends relate to non-consolidated companies. Those on shares held for trading and securities available for sale were reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Guarantees given	280	248	32	12.9
Collection and payment services	256	251	5	2.0
Current accounts	645	673	-28	-4.2
Credit and debit cards	345	336	9	2.7
Commercial banking activities	**1,526**	**1,508**	**18**	**1.2**
Dealing and placement of securities	308	330	-22	-6.7
Currency dealing	42	40	2	5.0
Portfolio management	910	905	5	0.6
Distribution of insurance products	513	548	-35	-6.4
Other	86	63	23	36.5
Management, dealing and consultancy activities	**1,859**	**1,886**	**-27**	**-1.4**
Other net fee and commission income	**742**	**741**	**1**	**0.1**
Net fee and commission income	**4,127**	**4,135**	**-8**	**-0.2**

Quarterly development of net fee and commission income



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

Net fee and commission income, which makes up over one third of operating income, came to 4,127 million euro, with no significant changes compared to the first nine months of 2010.
Fees and commissions on commercial banking activities recorded an increase of 1.2% for the period. The positive performance of fee and commission income on guarantees given, on debit and credit cards and on collection and payment services more than offset the downturn in commissions on current accounts, attributable to both the volume effect and the promotion of modular accounts with more favourable conditions for customers.
Overall, management, dealing and consultancy activities generated net fee and commission income of 1,859 million euro, against 1,886 million euro recorded in the first nine months of 2010. Fee and commission income from collective and individual portfolio management (+5 million euro), currency dealing (+2 million euro) and other dealing and management commissions (+23 million euro) was not sufficient to counteract the drop in fee and commission income from the distribution of insurance products (-35 million euro) and dealing and placement of securities (-22 million euro).
Other net fee and commission income, whose key factors are represented by commissions on loans issued and on factoring services, were in line with the figures for the first nine months of 2010, reaching 742 million euro.

(millions of euro)

	2011			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Guarantees given	96	88	96	9.1	-8.3
Collection and payment services	89	90	77	-1.1	16.9
Current accounts	217	216	212	0.5	1.9
Credit and debit cards	120	118	107	1.7	10.3
Commercial banking activities	**522**	**512**	**492**	**2.0**	**4.1**
Dealing and placement of securities	84	116	108	-27.6	7.4
Currency dealing	14	14	14	-	-
Portfolio management	291	305	314	-4.6	-2.9
Distribution of insurance products	147	162	204	-9.3	-20.6
Other	26	34	26	-23.5	30.8
Management, dealing and consultancy activities	**562**	**631**	**666**	**-10.9**	**-5.3**
Other net fee and commission income	**238**	**267**	**237**	**-10.9**	**12.7**
Net fee and commission income	**1,322**	**1,410**	**1,395**	**-6.2**	**1.1**

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

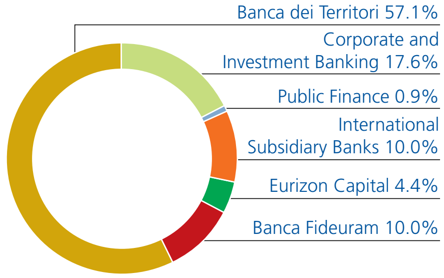
On a quarterly basis, the third quarter of 2011 recorded a result 6.2% lower than the second quarter, due to the negative performance of commissions on management, dealing and consultancy activities (-10.9%), penalised by the deterioration in financial market performance, and other net fee and commission income (-10.9%), in addition to the usual slowdown in the summer period. Conversely, commission from traditional banking activities showed positive development (+2%).

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Banca dei Territori	2,438	2,496	-58	-2.3
Corporate and Investment Banking	751	681	70	10.3
Public Finance	40	48	-8	-16.7
International Subsidiary Banks	429	423	6	1.4
Eurizon Capital	186	188	-2	-1.1
Banca Fideuram	426	395	31	7.8
Total business areas	**4,270**	**4,231**	**39**	**0.9**
Corporate Centre	-143	-96	47	49.0
Intesa Sanpaolo Group	**4,127**	**4,135**	**-8**	**-0.2**

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

Business areas



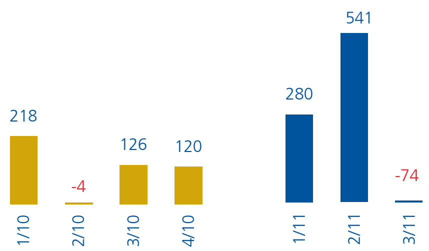
With regard to business sectors, decreases were recorded by Banca dei Territori (-58 million euro), which represents around 57% of fee and commission income from all business units and, to a lesser extent, by Public Finance (-8 million euro) and Eurizon Capital (-2 million euro). Conversely, a good performance in net fee and commission income was recorded by Corporate and Investment Banking (+70 million euro), due to higher income from both commercial banking services and new investment banking operations, mainly on the primary market and in structured finance, and by Banca Fideuram (+31 million euro), mainly due to the development of average assets under management and, to a lesser extent, the increase in profitability due to the change in customer product mix. A more limited increase in terms of absolute value was recorded by the International Subsidiary Banks (+6 million euro), due to the good performance of net fee and commission income in the current accounts, payment services and credit cards segments.

Profits (Losses) on trading

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Interest rates	-39	10	-49	
Equity instruments	-94	-23	71	
Currencies	177	205	-28	-13.7
Structured credit products	17	64	-47	-73.4
Credit derivatives	84	1	83	
Commodity derivatives	7	11	-4	-36.4
Trading result	**152**	**268**	**-116**	**-43.3**
Trading on AFS securities and financial liabilities	**595**	**72**	**523**	
Profits (Losses) on trading	**747**	**340**	**407**	

Quarterly development of profits (losses) on trading



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

Trading activities, which represent the component whose contribution to the income statement is most exposed to market volatility, yielded a profit of 747 million euro in the first nine months of 2011, compared to the 340 million euro recognised in the corresponding period of the previous year.

This positive trend is mainly due to capital gains recorded by merchant banking activities from the sale of 4% of Prada (272 million euro) and sale of the remaining 25% in the Findomestic investment (154 million euro).

These effects are offset by a negative contribution from interest rate transactions in debt securities and exchange rate derivatives, and in equity instruments, including dividends collected. Currency trading and structured credit products were also down. Gains on credit derivatives (+ 84 million euro) should be interpreted jointly with the interest rate segment, as these were mainly transactions put in place to hedge credit risk on investments in debt securities.

It should be noted that this caption also incorporates dividends and proceeds on the trading of securities classified as available for sale and the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness related to the fair value option. In the first nine months of 2011 these results increased to 595 million euro, mainly due to the aforementioned capital gains.

(millions of euro)

	2011			Changes %	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Interest rates	-254	22	193		-88.6
Equity instruments	-124	-10	40		
Currencies	93	59	25	57.6	
Structured credit products	-20	11	26		-57.7
Credit derivatives	142	-26	-32		-18.8
Commodity derivatives	1	-3	9		
Trading result	**-162**	**53**	**261**		**-79.7**
Trading on AFS securities and financial liabilities	**88**	**488**	**19**	**-82.0**	
Profits (Losses) on trading	**-74**	**541**	**280**		**93.2**

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

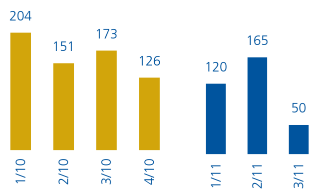
On a quarterly level, the result for the third quarter of 2011 was penalised by the sovereign debt crisis and the worsening of valuation parameters, which led to the recognition of unrealised capital losses. Conversely, the result for the second quarter benefited from the contributions from the sale of Prada and Findomestic investments.

Income from insurance business

(millions of euro)

	30.09.2011			30.09.2010			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Premiums and payments [(a)]	-309	92	-217	-746	73	-673	-456	-67.8
net premiums	*7,368*	*124*	*7,492*	*8,041*	*118*	*8,159*	*-667*	*-8.2*
net charges for claims and surrendering of policies	*-4,426*	*-32*	*-4,458*	*-4,413*	*-45*	*-4,458*	*-*	*-*
net charges for changes in technical reserves	*-3,251*	*-*	*-3,251*	*-4,374*	*-*	*-4,374*	*-1,123*	*-25.7*
Net income from financial instruments designated at fair value through profit and loss (b)	-286	-	-286	513	-	513	-799	
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	1,417	10	1,427	1,259	12	1,271	156	12.3
Other income/charges from insurance business[(d)]	-531	-58	-589	-519	-64	-583	6	1.0
Income from insurance business	**291**	**44**	**335**	**507**	**21**	**528**	**-193**	**-36.6**

Quarterly development of income from insurance business



Figures restated where required by international accounting standards and, 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 nine months of 2011, income from the insurance business, which includes the revenue captions of the Group's life and non-life companies, was 335 million euro, down by 193 million euro on the same period of the previous year, attributable to the life segment. The decrease in revenues was caused by lower premiums collected, and the unfavourable performance of investment results, penalised by the worsening of the financial markets and the negative fair value borne by insurance companies deriving from capital losses on investments. Conversely, the same period of 2010 benefited from profits on the sale of securities with gains, for which impairment losses had been recognised in previous years.
The result for non-life business increased, mainly due to the increase in premiums and to lower claim-related expense.

(millions of euro)

	2011			Changes %	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Premiums and payments [a]	77	-250	-44		
net premiums	*1,824*	*2,237*	*3,431*	*-18.5*	*-34.8*
net charges for claims and surrendering of policies	*-1,435*	*-1,622*	*-1,401*	*-11.5*	*15.8*
net charges for changes in technical reserves	*-312*	*-865*	*-2,074*	*-63.9*	*-58.3*
Net income from financial instruments designated at fair value through profit and loss [b]	-310	50	-26		
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [c]	460	564	403	-18.4	40.0
Other income/charges from insurance business[d]	-177	-199	-213	-11.1	-6.6
Income from insurance business	**50**	**165**	**120**	**-69.7**	**37.5**

Figures restated where required by international accounting standards and, 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.

The negative performance of the insurance business was particularly evident in the third quarter of 2011, with a sharply declining trend (-115 million euro) compared to the result reported in the previous quarter, essentially due to a worsening in investment results, penalised by unrealised capital losses as resulting from tensions caused by the sovereign debt crisis.

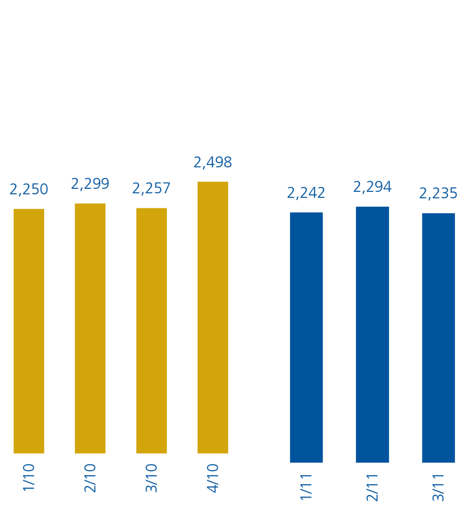
Other operating income (expenses)
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. During the first nine months of 2011, the balance of this caption was a positive 5 million euro, compared to 20 million euro of the same period of 2010, which had benefited from revenues relating to the settlement of disputes.

Operating costs

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Wages and salaries	2,885	2,922	-37	-1.3
Social security charges	744	744	-	-
Other	442	432	10	2.3
Personnel expenses	**4,071**	**4,098**	**-27**	**-0.7**
Information technology expenses	515	553	-38	-6.9
Management of real estate assets	553	556	-3	-0.5
General structure costs	287	298	-11	-3.7
Professional and legal expenses	357	344	13	3.8
Advertising and promotional expenses	105	112	-7	-6.3
Indirect personnel costs	93	95	-2	-2.1
Other costs	301	266	35	13.2
Indirect taxes and duties	480	466	14	3.0
Recovery of expenses and charges	-452	-414	38	9.2
Administrative expenses	**2,239**	**2,276**	**-37**	**-1.6**
Property and equipment	284	279	5	1.8
Intangible assets	177	153	24	15.7
Adjustments	**461**	**432**	**29**	**6.7**
Operating costs	**6,771**	**6,806**	**-35**	**-0.5**

Quarterly development of operating costs



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

Operating costs amounted to 6,771 million euro, down 0.5% on the figure recorded in the first nine months of 2010.
Personnel expenses, amounting to 4,071 million euro, decreased by 0.7%. The human resource optimisation policies resulted in a downsizing of the average staff figures (-0.5%) which contributed to stabilising the wages and salaries caption.
Administrative expenses were 2,239 million euro, down 1.6%: this result was shaped in particular by the decrease in information technology expenses (-6.9%), general structure costs (-3.7%) and advertising and promotional expenses (-6.3%). There was growth in costs as a result of higher services rendered by third parties, as well as in professional and legal expenses.
Amortisation and depreciation for the first nine months of 2011 amounted to 461 million euro, up 6.7% on the corresponding period of the previous year, mainly due to higher investments in intangible assets, particularly in software application components.

As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 54.1%, down compared to the 55.2% recognised for the first nine months of 2010.

(millions of euro)

	2011			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Wages and salaries	937	984	964	-4.8	2.1
Social security charges	241	253	250	-4.7	1.2
Other	146	138	158	5.8	-12.7
Personnel expenses	**1,324**	**1,375**	**1,372**	**-3.7**	**0.2**
Information technology expenses	170	170	175	-	-2.9
Management of real estate assets	192	178	183	7.9	-2.7
General structure costs	94	96	97	-2.1	-1.0
Professional and legal expenses	112	132	113	-15.2	16.8
Advertising and promotional expenses	31	45	29	-31.1	55.2
Indirect personnel costs	25	42	26	-40.5	61.5
Other costs	114	94	93	21.3	1.1
Indirect taxes and duties	169	160	151	5.6	6.0
Recovery of expenses and charges	-155	-151	-146	2.6	3.4
Administrative expenses	**752**	**766**	**721**	**-1.8**	**6.2**
Property and equipment	95	95	94	-	1.1
Intangible assets	64	58	55	10.3	5.5
Adjustments	**159**	**153**	**149**	**3.9**	**2.7**
Operating costs	**2,235**	**2,294**	**2,242**	**-2.6**	**2.3**

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

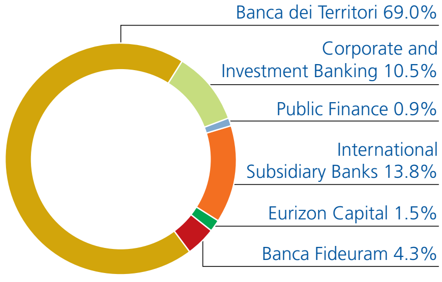
At the quarterly level, operating costs decreased by 2.6% in the third quarter of 2011 compared to the previous quarter, reaching 2,235 million euro. This trend is attributable to the usual seasonal slowdown as well as to personnel expenses and, under administrative expenses, to professional and legal expenses, advertising and promotional expenses and indirect personnel costs.

(millions of euro)

	30.09.2011	30.09.2010	Changes	
			amount	%
Banca dei Territori	4,298	4,369	-71	-1.6
Corporate and Investment Banking	657	653	4	0.6
Public Finance	57	59	-2	-3.4
International Subsidiary Banks	860	852	8	0.9
Eurizon Capital	93	97	-4	-4.1
Banca Fideuram	265	265	-	-
Total business areas	**6,230**	**6,295**	**-65**	**-1.0**
Corporate Centre	541	511	30	5.9
Intesa Sanpaolo Group	**6,771**	**6,806**	**-35**	**-0.5**

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

Business areas



The virtuous trend in Group operating costs (-0.5%) was driven by Banca dei Territori (-1.6%), which recorded 69% of business area costs, Eurizon Capital (-4.1%) and Public Finance (-3.4%). By contrast, costs increases were reported by International Subsidiary Banks (+0.9%) and Corporate and Investment Banking (+0.6%). The Corporate Centre's costs were up (+5.9%).

Operating margin

The operating margin in the first nine months of 2011 was 5,749 million euro, up 4% on the corresponding period of the previous year. This trend was generated by increased revenues (+1.5%), accompanied by a slight decrease in operating costs (-0.5%). On the other side, at the quarterly level there was a negative trend, which translates into a decrease of 29.5% on the previous quarter.

Adjustments to/write-backs on assets

Net provisions for risks and charges

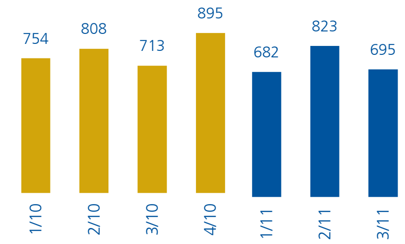
In the first nine months of 2011 net provisions for risks and charges amounted to 112 million euro, referring to provisions for legal proceedings and other existing risks mainly concerning the Parent Company. This total compares with 218 million euro recorded in the same period of 2010.

Net adjustments to loans

(millions of euro)

	30.09.2011	30.09.2010	Changes amount	Changes %
Doubtful loans	-1,359	-1,249	110	8.8
Substandard loans	-702	-778	-76	-9.8
Restructured loans	-29	-33	-4	-12.1
Past due loans	-146	-127	19	15.0
Performing loans	9	-80	89	
Net impairment losses on loans	**-2,227**	**-2,267**	**-40**	**-1.8**
Net adjustments to guarantees and commitments	**27**	**-8**	**35**	
Net adjustments to loans	**-2,200**	**-2,275**	**-75**	**-3.3**

Quarterly development of net adjustments to loans



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

In the first nine months of 2011 net adjustments to loans came to 2,200 million euro, down 3.3% on the figure for the same period in 2010. Doubtful positions required total net adjustments of 1,359 million euro, up 8.8% compared to the first nine months of 2010, with an average coverage ratio of 64.3%. Net adjustments to substandard positions, 702 million euro, instead fell by 9.8% with a coverage ratio of 20.8%.
A total of 27 million euro in write-backs were recognised on guarantees given, compared to 8 million euro in write-downs in the first nine months of 2010. The coverage ratio of performing loans to customers came to 0.7%, essentially unchanged compared to previous periods.

(millions of euro)

	2011 Third quarter (A)	2011 Second quarter (B)	2011 First quarter (C)	Changes % (A/B)	Changes % (B/C)
Doubtful loans	-388	-576	-395	-32.6	45.8
Substandard loans	-261	-210	-231	24.3	-9.1
Restructured loans	-3	-18	-8	-83.3	
Past due loans	-43	-56	-47	-23.2	19.1
Performing loans	7	6	-4	16.7	
Net impairment losses on loans	**-688**	**-854**	**-685**	**-19.4**	**24.7**
Net adjustments to guarantees and commitments	**-7**	**31**	**3**		
Net adjustments to loans	**-695**	**-823**	**-682**	**-15.6**	**20.7**

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

Quarterly analysis also shows a decrease (-15.6%) in net adjustments to loans in the third quarter of 2011 compared to the second quarter, due to a decrease in adjustments to doubtful loans (-188 million euro), accompanied by growth in adjustments to substandard loans (+51 million euro).

Net impairment losses on other assets

In the first nine months of 2011 net impairment losses on other assets totalled 709 million euro, 618 million euro of which attributable to the impairment of Greek government bonds held by the Group. The residual amount refers to impairment loss on equity instruments and bonds available for sale. This value compares to the 48 million euro recorded in the same period last year.
As mentioned previously, and to be illustrated in greater detail later in this Report, it was deemed appropriate to reclassify the full effect of impairment losses on Greek government bonds and bonds issued by other Greek public entities to this caption,

regardless of their balance sheet classification (AFS or L&R) to avoid distortion effects on the cost of credit.
In particular: AFS securities were measured at fair value, recognising the entire negative reserve (415 million euro, net of amounts allocated to insurance products under separate management) to the income statement, while for securities classified as L&R, a haircut of approximately 40% was applied to the contractual inflows and said inflows were discounted at the effective interest rate, taking into account interest rate hedging, as required by IAS 39. The methodology described above resulted in the recognition of total adjustments of 203 million euro.
Note that trading securities (of a marginal amount) are systematically designated at fair value through profit and loss.

Profits (Losses) on investments held to maturity and on other investments
In the first nine months of 2011 profits on investments held to maturity and on other investments amounted to 40 million euro, including the capital gains on the disposal of branches and of CR La Spezia to Crédit Agricole (146 million euro) and the impairment of the investment in Telco (132 million euro). This figure is compared to the 11 million euro in profits reported in the same period of 2010.

Income before tax from continuing operations
Income before tax from continuing operations came to 2,768 million euro in the first nine months of 2011, down 7.6% compared to the corresponding period of 2010. Given an increase in the operating margin, the trend also benefited from lower net adjustments to loans and a decrease in net provisions for risks and charges. However, it was negatively influenced by impairment losses on other assets. In quarterly terms, the result for the third quarter, affected by said adjustments, decreased significantly compared to the result for the second quarter.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred income tax for the first nine months of 2011 resulted in the provisioning of 66 million euro compared to 1,092 million euro in the same period of 2010. Income taxes for the year benefited from the detaxation of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011. Specifically, as previously illustrated, the rule permits the detaxation (i.e., tax recognition) of intangible assets (goodwill, trademarks and other intangible assets) recognised in the consolidated financial statements and related to the higher values of controlling interests - which must be understood as those included in the scope of consolidation based on the IAS/IFRS - recorded in the separate financial statements as a result of extraordinary transactions that are tax-neutral (business contribution, merger, spin-off) or executive (sale of companies and interests). In other words, as a result of the new provisions, companies may realign the value relating to goodwill, trademarks and other intangible assets which contributed to forming the cost of the controlling interests.
The provision allows recognition for tax purposes of the above assets, by paying a 16% substitute tax and performing tax deduction for the related value, off balance sheet, in ten years, starting from 2013.
Exercise of this option results in the recognition of future tax benefits expected from deduction of the tax value of the redeemed assets from corporate income, represented by deferred taxes relating to the new temporary deductible difference.
As specified, the methods for implementing the legislative provision will be determined via an Order of the Director of the Agenzia delle Entrate, to be issued soon.
Therefore, this Quarterly Report was prepared taking into account the effects deriving from the application of the rule to transactions for which the law is suitably clear, recording deferred tax assets of 2,172 million euro and a substitute tax charge of 1,072 million euro, with net benefits of 1,100 million euro to the income statement.
The total amounts resulting from the application of the legal provisions will be quantified in the 2011 Financial Statements.

Charges (net of tax) for integration and exit incentives
This caption rose to 499 million euro due to the inclusion of costs relating to the exit of personnel pursuant to the Framework Agreement of 29 July 2011, which has already been mentioned, amounting to 471 million euro net of discounting and the tax effect.

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 254 million euro in the first nine months of 2011, down from 294 million euro in the same period in 2010.

Income (Loss) from discontinued operations (net of tax)
No income or loss on discontinued operations was recorded in the first nine months of 2011. On the other hand, in the first nine months of last year, 691 million euro in income was recorded, mostly due to the sale of the securities services business to State Street Co.

Net income
Net income for the Group in the first nine months of 2011 came to 1,929 million euro, down 12.3% compared to 2,200 million euro in the same period of the previous year.
The quarterly analysis shows a 28.9% decrease in net income in the third quarter (527 million euro) compared to that of the second quarter (741 million euro).

Balance sheet aggregates

Intesa Sanpaolo's consolidated assets recorded an increase of 10.3 billion euro (1.6% of the total) to 667.3 billion euro in the first nine months of 2011.
With regard to assets, there was significant growth in assets available for sale (+9.1 billion euro), and increases in tax assets (+2.5 billion euro) and loans to customers (+2.4 billion euro). Conversely, decreases were recorded in financial assets held for trading (-2 billion euro) and in amounts due from banks (-1 billion euro).
The increase in liabilities was the result of the effect of the decrease in customer deposits (-32.1 billion euro), offset by the increases in funding from the interbank market (+20 billion euro), financial liabilities held for trading (+8.9 billion euro), other liabilities (+5.8 billion euro) and reserves (+4.7 billion euro).

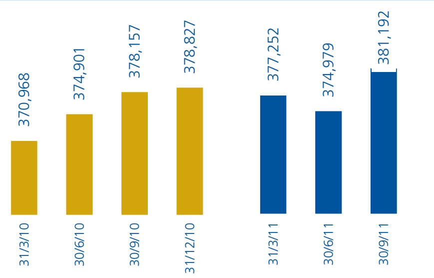
Loans to customers

(millions of euro)

	30.09.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	35,896	9.5	30,713	8.1	5,183	16.9
Mortgages	166,937	43.8	165,702	43.7	1,235	0.7
Advances and other loans	131,299	34.4	132,449	35.0	-1,150	-0.9
Commercial banking loans	**334,132**	**87.7**	**328,864**	**86.8**	**5,268**	**1.6**
Repurchase agreements	**6,377**	**1.7**	**10,703**	**2.8**	**-4,326**	**-40.4**
Loans represented by securities	**18,472**	**4.8**	**18,022**	**4.8**	**450**	**2.5**
Non-performing loans	**22,211**	**5.8**	**21,238**	**5.6**	**973**	**4.6**
Loans to customers	**381,192**	**100.0**	**378,827**	**100.0**	**2,365**	**0.6**

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

Quarterly development Loans to customers



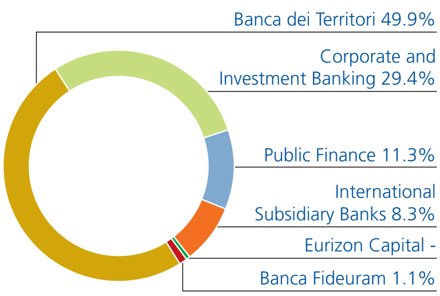
As at 30 September 2011, Intesa Sanpaolo Group loans to customers amounted to over 381 billion euro, recording moderate growth (+0.6%) on the figure of the end of the previous year.
This improvement was the result of the increase in commercial banking loans (+1.6%) which offset the decrease in repurchase agreements, which recorded a sharp decline in the period in question (-40.4%), attributable to the repayment of several transactions of significant amounts with the counterparty Cassa di Compensazione e Garanzia. The growth in commercial banking loans was positively affected by the expansion in current accounts (+16.9%) and mortgages (+0.7%), while advances and other loans decreased slightly (-0.9%). Lastly, there was a worsening of non-performing loans (+4.6%) and an increase in their impact on total loans.
In the domestic medium-/long-term loan market, in the first nine months of the year disbursements to households totalled 11.4 billion euro and those to businesses covered by Banca dei Territori amounted to almost 7.5 billion euro. In the same period, medium/long-term disbursements to Mid Corporate and Large Corporate Italia customers reached 10 billion euro.
As at 30 September 2011, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was an estimated 15.5% for total loans, down by two-tenths of a point compared to December 2010. The estimate was made based on the evidence of the ten-day sample from the Bank of Italy.

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Banca dei Territori	187,258	183,240	4,018	2.2
Corporate and Investment Banking	110,145	110,779	-634	-0.6
Public Finance	42,482	40,508	1,974	4.9
International Subsidiary Banks	31,147	30,926	221	0.7
Eurizon Capital	103	153	-50	-32.7
Banca Fideuram	4,038	2,851	1,187	41.6
Total business areas	**375,173**	**368,457**	**6,716**	**1.8**
Corporate Centre	6,019	10,370	-4,351	-42.0
Intesa Sanpaolo Group	**381,192**	**378,827**	**2,365**	**0.6**

Figures restated where required by international accounting standards and, 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, increased loans to customers by 2.2% compared to the end of the previous year, specifically to businesses. Loans to the public works and infrastructure sector, handled by BIIS, showed positive development (+4.9%), driven by new transactions carried out during the period and as a result of the fair value adjustment interest rate and credit risk hedging. The stock of loans of the International Subsidiary Banks also increased slightly (+0.7%), despite the selective policies implemented in countries hit by the crisis. Conversely, Corporate and Investment Banking loans recorded a decreasing trend since the beginning of the year (-0.6%), mainly attributable to International Corporate and Financial Institutions counterparties. There was also a reduction in Banca IMI's reverse repurchase transactions with institutional operators and financial intermediaries. Banca Fideuram loans, of an overall modest amount, expanded as a result of the increase in repurchase transactions with institutional customers and the growth in facilities granted in current accounts. The decrease in Corporate Centre loans (-42%) was mainly driven by the unwinding of repurchase agreements entered into by the Treasury with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.09.2011		31.12.2010		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	8,327	2.2	7,394	2.0	933
Substandard loans	9,269	2.4	8,966	2.3	303
Restructured loans	3,466	0.9	3,338	0.9	128
Past due loans	1,149	0.3	1,540	0.4	-391
Non-performing loans	**22,211**	**5.8**	**21,238**	**5.6**	**973**
Performing loans	340,509	89.4	339,567	89.6	942
Loans represented by performing securities	18,472	4.8	18,022	4.8	450
Loans to customers	**381,192**	**100.0**	**378,827**	**100.0**	**2,365**

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

At the end of the first nine months of 2011, as mentioned above, the Group recorded an increase in non-performing loans (+4.6%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 5.6% to 5.8%. Coverage of non-performing loans came to a total of approximately 45%, a level higher than that recorded at the end of 2010 (43%) and deemed adequate to account for expected losses, considering the guarantees that secure the positions.
In particular, as at 30 September 2011, doubtful loans net of adjustments totalled 8,327 million euro, with a 933 million euro rise (+12.6%) from the beginning of the year; the incidence on total loans to customers was 2.2%, with a coverage ratio of more than 64%.
Compared to 31 December 2010, substandard loans underwent a more moderate increase (+3.4%) than doubtful loans, totalling 9,269 million euro. Substandard loans came to 2.4% of total loans to customers, showing a coverage ratio of 21%.
Restructured loans, 3,466 million euro, increased by 3.8% from the beginning of the year, with a coverage ratio of 8.6%. Past due loans amounted to 1,149 million euro, down by approximately 25% compared to the end of December and showing a coverage ratio of 11%.

Customer financial assets

(millions of euro)

	30.09.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	395,209	50.8	427,319	51.6	-32,110	-7.5
Indirect customer deposits	406,875	52.2	427,067	51.6	-20,192	-4.7
Netting [(a)]	-23,475	-3.0	-26,056	-3.2	-2,581	-9.9
Customer financial assets	**778,609**	**100.0**	**828,330**	**100.0**	**-49,721**	**-6.0**

Figures restated where required by international accounting standards and, 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 778 billion euro as at 30 September 2011, down by 6% since the beginning of the year, due to the effect of direct deposits (-7.5%) and, to a lesser extent, indirect deposits (-4.7%). The trend in direct customer deposits is attributable to a general decline in all components of the aggregate, with the exception of bonds, which recorded positive performance compared to the end of December 2010. With regard to indirect customer deposits, the reduction is mainly attributable to the negative performance effect which impacted assets under management and assets under administration.
The drop in assets under management is mainly attributable to the reduction in stocks of mutual funds.

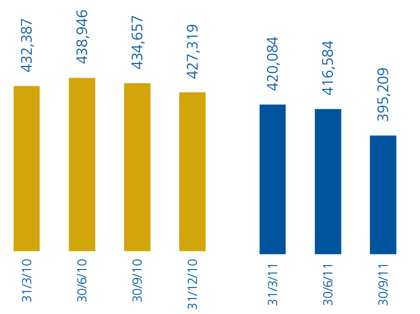
Direct customer deposits

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, together with securitised capital-protected certificates.

(millions of euro)

	30.09.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	187,436	47.4	195,778	45.8	-8,342	-4.3
Repurchase agreements and securities lending	7,664	1.9	13,111	3.1	-5,447	-41.5
Bonds	129,827	32.9	121,428	28.4	8,399	6.9
of which designated at fair value (*)	*725*	*0.2*	*1,238*	*0.3*	*-513*	*-41.4*
Certificates of deposit	9,863	2.5	19,844	4.6	-9,981	-50.3
Subordinated liabilities	21,097	5.3	24,166	5.7	-3,069	-12.7
Financial liabilities of the insurance business designated at fair value (*)	22,814	5.8	24,906	5.8	-2,092	-8.4
Other deposits	16,508	4.2	28,086	6.6	-11,578	-41.2
of which designated at fair value (**)	*2,211*	*0.6*	*1,998*	*0.5*	*213*	*10.7*
Direct customer deposits	**395,209**	**100.0**	**427,319**	**100.0**	**-32,110**	**-7.5**

Quarterly development Direct deposits



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

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

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

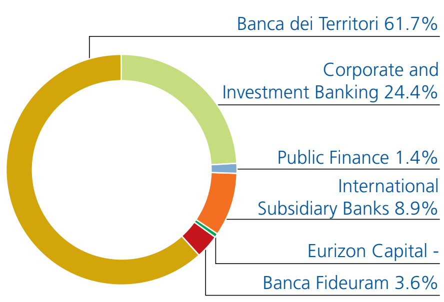
Direct customer deposits amounted to over 395 billion euro, down (-7.5%) compared to the end of December 2010, mainly due to the reduction in short-term funding from institutional customers, replaced by an increase in interbank funding through refinancing with the ECB.
In detail, current accounts and deposits recorded a decrease of 8.3 billion euro (-4.3%), certificates of deposit recorded a reduction of almost 10 billion euro (-50.3%) and repurchase agreements and securities lending fell by 5.4 billion euro (-41.5%). The drop in the demand component should be viewed in relation to customers' reduced ability to save and a partial repositioning of their demand to investment products with greater returns, such as bonds and insurance policies. Bonds reported sustained growth (+6.9%), confirming their importance within both investors' portfolios and in the Group's overall funding. The reduction in other deposits, approximately 11.6 billion euro (-41.2%), is primarily attributable to the maturity of commercial paper issued by the Group's international subsidiaries on international markets.
At the end of the first nine months of 2011 the Group's share of direct customer deposits on the domestic market (according to the ECB's harmonised definition) came to 16.3%, down by six-tenths of a point compared to the beginning of the year, mainly due to the negative performance of repurchase agreements and, to a lesser extent, the other components. The estimate of the market share in September was made based on the evidence of the ten-day sample from the Bank of Italy.

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Banca dei Territori	216,358	220,618	-4,260	-1.9
Corporate and Investment Banking	85,734	97,026	-11,292	-11.6
Public Finance	5,053	5,757	-704	-12.2
International Subsidiary Banks	31,038	30,259	779	2.6
Eurizon Capital	10	12	-2	-16.7
Banca Fideuram	12,452	12,503	-51	-0.4
Total business areas	**350,645**	**366,175**	**-15,530**	**-4.2**
Corporate Centre	44,564	61,144	-16,580	-27.1
Intesa Sanpaolo Group	**395,209**	**427,319**	**-32,110**	**-7.5**

Figures restated where required by international accounting standards and, 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 total aggregate attributable to the business areas, recorded a 1.9% decrease compared to the beginning of the year. This performance was caused by the decrease in amounts due to retail and business customers, as well as the contraction of liabilities measured at fair value in the insurance segment. Corporate and Investment Banking funding reported negative development (-11.6%) due to less bond placement by Banca IMI and as a result of the drop in liquidity from short-term deposits of major customers. A downturn was recorded by Public Finance (-12.2%), due to the reduced current account liquidity of local authorities, and Banca Fideuram (-0.4%), as a result of the reduction of funding through repurchase agreements and time deposits. Conversely, International Subsidiary Banks achieved an increase in funding (+2.6%) attributable to deposits and securities. The contraction recorded in Corporate Centres (-27.1%) is due to the maturity of commercial paper issued by the Group's international subsidiaries on international markets and the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

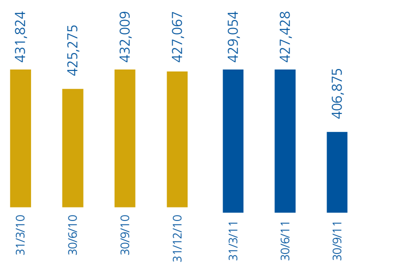
Indirect customer deposits

(millions of euro)

	30.09.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	60,529	14.9	70,280	16.5	-9,751	-13.9
Open-ended pension funds and individual pension plans	2,785	0.7	3,084	0.7	-299	-9.7
Portfolio management	73,033	17.9	74,249	17.4	-1,216	-1.6
Life technical reserves and financial liabilities	78,054	19.2	77,136	18.1	918	1.2
Relations with institutional customers	10,094	2.5	9,180	2.1	914	10.0
Assets under management	**224,495**	**55.2**	**233,929**	**54.8**	**-9,434**	**-4.0**
Assets under administration and in custody	**182,380**	**44.8**	**193,138**	**45.2**	**-10,758**	**-5.6**
Indirect customer deposits	**406,875**	**100.0**	**427,067**	**100.0**	**-20,192**	**-4.7**

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

Quarterly development Indirect deposits



As at 30 September 2011, indirect customer deposits came to approximately 407 billion euro, highlighting declining performance (-4.7%) compared to 31 December 2010, due to both assets under management (-4%) and assets under administration (-5.6%). Both segments were impacted by the performance effect of the impairment of assets in the portfolio, both for stock components impacted by the heavy decreases in stock markets and for the bond components penalised by the sovereign debt crisis in peripheral countries of the eurozone.
Assets under management, which represent over half of the total aggregate, came to over 224 billion euro. The decrease on the end of December 2010 was mainly the result of mutual funds (-13.9%) and, to a lesser extent, portfolio management (-1.6%), which was only partly offset by the positive trend in life policies (+1.2%) and relations with institutional customers (+10%). In the insurance business, the new Intesa Sanpaolo Vita, EurizonVita, Sud Polo Vita, Centro Vita Assicurazioni and Fideuram Vita business, including pension products, amounted to 9.8 billion euro in the period. New placement inflows of Group companies, though lower than the figure for the first nine months of 2010 (over 10 billion euro), recorded a better trend than that of the industry.
The contraction in assets under administration since the beginning of the year, which was only partly offset by positions in securities attributable to institutional customers, is attributable to ordinary customers and involved both the retail segments and corporate counterparties.

Financial assets and liabilities

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	69,934	71,945	-2,011	-2.8
of which derivatives at fair value	*46,863*	*38,940*	*7,923*	*20.3*
Financial assets designated at fair value through profit and loss	35,212	35,550	-338	-1.0
Financial assets available for sale	70,950	61,835	9,115	14.7
Investments held to maturity	2,872	3,858	-986	-25.6
Total financial assets	**178,968**	**173,188**	**5,780**	**3.3**
Financial liabilities held for trading (*)	**-51,760**	**-43,046**	**8,714**	**20.2**
of which derivatives at fair value	*-48,603*	*-40,282*	*8,321*	*20.7*

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

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregate.
Total financial assets increased by 3.3% owing to the differentiated performance of the various components. Assets available for sale increased from 62 billion euro to 71 billion euro (+14.7%) due to the rise in bonds and other debt securities, mainly held by the Parent Company, Banca IMI and the insurance companies. Conversely, a downturn was recorded in investments held to maturity (-25.6%) and trading (-2.8%). The decrease in the latter captions is due to the contraction in bonds and other debt securities, partly offset by the increase in trading derivatives. However, derivative assets yielded a substantial break-even: the increase in fair value of derivative contract assets reflects a similar increase in the fair value of derivative contract liabilities.

Financial instrument reclassification

The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 30 September 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 nine 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 nine months of 2011 following the transfer.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.09.2011	Fair value at 30.09.2011	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	2,665	2,398	-31	56	7	83
Debt securities	Financial assets held for trading	Financial assets held to maturity	9	9	-	-	-	1
Debt securities	Financial assets held for trading	Financial assets available for sale	47	47	-30	5	-30	5
Shares and funds	Financial assets held for trading	Financial assets available for sale	39	39	4	-	6	-
Debt securities	Financial assets available for sale	Loans	6,278	4,378	-452	139	245	136
Loans	Financial assets available for sale	Loans	127	117	3	3	-3	3
TOTAL			**9,165**	**6,988**	**-506**	**203**	**225**	**228**

If the Group had not elected to reclassify the foregoing financial assets, a total of 731 million euro in greater negative mark-to-market income components would have been recognised during the period, broken down as follows:
– write-off of the positive income components recognised during the period following the 225 million euro transfer. Of this amount, 228 million euro relates to adjustments, 374 million euro to fair value increases due to hedges and 79 million euro to the increase in Valuation reserves;
– reversal of the negative income components which would have been recognised had no transfer taken place, totalling 506 million euro. Of this amount, 194 million euro refers to the write-downs of reclassified securities in the income statement, 374 million euro to fair value increases due to hedges and 686 million euro to the reduction in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 25 million euro would have not been recognised. Indeed, this amount is mainly related to the amortised cost of the reclassified securities.
On the whole, the reclassified assets would have been written down by 2,399 million euro as at 30 September 2011, of which 490 million euro would have been recognised through profit and loss and 1,909 million euro through Valuation reserves for financial assets available for sale under Shareholders' equity.
No portfolio transfers were made in the first nine months of 2011.
The total effective interest rate attributable to the reclassified securities portfolio is equal to 3.34% (3.3% as at 31 December 2010).

Net interbank position
Net interbank position came to a negative 32.5 billion euro at 30 September 2011, compared to 11.5 billion euro at the end of 2010. The negative imbalance between due from/due to banks is linked to loans entered into by the Parent Company with the European Central Bank in the form of certificates of deposit and commercial paper, planned to replace part of short-term funding from institutional customers, with a view to optimising the Group's cost of funding.

Sovereign risk exposure
The public debt crisis and resulting tension on the financial markets led to a series of actions by the European Union and the International Monetary Fund to provide financial support to the countries in most difficulty. Only in relation to Greece has the action envisaged involvement of the private sector.
The following table illustrates the book value of Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES						LOANS
	Loans and Receivables	Financial assets available for sale	Financial assets held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading	Total	
EU Countries	**8,412**	**53,536**	**2,032**	**357**	**9,382**	**73,719**	**23,052**
Austria	-	68	2	-	54	124	-
Belgium	-	89	-	-	8	97	-
Bulgaria	-	-	-	-	-	-	-
Cyprus	19	-	-	-	-	19	-
Czech Republic	-	27	-	-	1	28	27
Denmark	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-
Finland	-	26	-	-	1	27	17
France	115	328	-	-	47	490	-
Germany	153	2,121	-	9	539	2,822	-
Greece	184	251	-	-	11	446	-
Hungary	301	875	21	-	35	1,232	153
Iceland	-	-	-	-	2	2	-
Ireland	-	250	-	-	1	251	-
Italy	7,021	47,264	870	348	7,891	63,394	22,030
Latvia	25	-	-	-	-	25	59
Liechtenstein	-	-	-	-	-	-	-
Lithuania	-	20	-	-	5	25	-
Luxembourg	-	64	-	-	-	64	-
Malta	-	-	-	-	-	-	-
Netherlands	-	364	-	-	120	484	-
Norway	-	-	-	-	59	59	-
Poland	73	29	-	-	177	279	-
Portugal	-	45	-	-	1	46	35
Romania	10	140	-	-	3	153	14
Slovakia	-	1,301	1,139	-	15	2,455	103
Slovenia	-	94	-	-	-	94	79
Spain	511	148	-	-	62	721	535
Sweden	-	32	-	-	9	41	-
United Kingdom	-	-	-	-	341	341	-
North African Countries	**19**	**116**	**12**	**0**	**958**	**1,105**	**38**
Algeria	-	-	-	-	-	-	38
Egypt	-	116	12	-	958	1,086	-
Libya	-	-	-	-	-	-	-
Morocco	19	-	-	-	-	19	-
Tunisia	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**251**	**251**	**-**
Other Countries	**505**	**608**	**356**	**-**	**2,075**	**3,544**	**1,150**
TOTAL CONSOLIDATED DATA	**8,936**	**54,260**	**2,400**	**357**	**12,666**	**78,619**	**24,240**

Exposure to Greece

As at 30 September 2011 the Intesa Sanpaolo Group's total exposure to Greece amounted to 870 million euro in terms of nominal value, with a book value of 446 million euro. In addition to this direct exposure to Greece, the Group has an exposure of 200 million euro (with a book value of 140 million euro) to Hellenic Railways and an exposure of 98 million euro (with a book value of 75 million euro) to other Greek public and private entities.

Following intensification of the Greek debt crisis and financial market expectations of an extensive and credible support plan, on 21 July the Heads of State and Government of eurozone countries approved a structured plan of aid for Greece which envisaged further involvement of the European Union and the IMF, stronger powers and intervention for the EFSF and even the involvement of private institutional investors. As part of this plan, banks and insurance companies under the direction of the Institute of International Finance (IIF) defined a number of support options for Greece.

These options involved a bond exchange/roll-over programme maturing by 2020, with new 15-year and 30-year bonds issued by the Greek government. Four private sector intervention options were envisaged, governed in various ways depending on the maturity interest rate and guarantees of the new bonds, which were estimated in NPV terms to generate a 21% loss, assuming a

discount rate of 9% which the Greek debt could have reached, also as a result of the newly-approved aid.
Nonetheless, in October the worsening of Greece's situation led the European Union and the Heads of State and Government to review the envisaged aid, assuming greater involvement of the private sector by expanding the Greek debt to be restructured (not only bonds maturing by 2020), reducing the nominal value of the debt (instead of just replacing the bonds maturing by 2020 with new 15/30-year bonds) and, therefore, requesting private institutional investors to bear a greater economic burden. The discussions concerning the support of the private sector are still underway.

However, as there was no information available, when preparing this Report, regarding the methods by which the restructuring of Greek debt would be finalised, Intesa Sanpaolo made the impairment of all Greek government bonds held, also considering bonds issued by Hellenic Railways which could be included in the bonds to be restructured, by an average of 55% of the carrying amount (value including the fair value hedge adjustment for bonds hedged for interest rate risk) and 45% if calculated on the nominal value of the bonds.
In particular, for bonds included in the portfolio available for sale, the bonds were adjusted for impairment by aligning their carrying amount to the fair value expressed by the market at the date of the Report, eliminating the cumulative AFS reserve and posting it to the income statement.
For bonds included in the loan portfolio, in line with the provisions of IAS 39 for the measurement of captions in this category, a haircut of approximately 40% was applied to the contractual inflows of the security and said inflows were discounted at the effective interest rate, taking into account interest rate hedging.
As regards the treatment of hedging derivatives, the confirmation of the exchange/roll-over options for bonds set forth in the agreement of 21 July would have allowed for assessing the possibility of maintaining the hedge also on new bonds obtained as a result of implementing the agreement. The increasingly likely possibility that, in the near future, the nominal value of the bonds could receive a haircut led the Intesa Sanpaolo Group to record impairment also of the adjustment of the value of bonds linked to fair value changes attributable to the hedged risk.
The table below shows the exposure of the Intesa Sanpaolo Group to Greece government and to Hellenic Railways, and the measurements made in the Interim Report as at 30 September 2011. In brief, the measurements performed resulted in the recording of a total of 734 million euro of impairment of the bonds as at 30 September 2011 (618 million euro net of amounts allocated to insurance products under separate management), of which 686 million in the third quarter (593 million euro net of amounts allocated to insurance products under separate management). The carrying amount of said bonds, after impairments, is 586 million euro. The fair value of these bonds, measured based on the prices as at 30 September 2011, came to 366 million euro.

(millions of euro)

	Nominal value as at 30.09.2011	Amortised cost	Adjustment on security due to fair value hedge	Book value before valuation	Profits (losses) on trading	Impairment as at 30.09.2011	Book value as at 30.09.2011
Government bonds							
Loans and receivables	192	180	110	290	-	-118 (1)	184
Financial assets available for sale	655	653	129	782	-	-531	251
Financial assets held for trading	23	15	-	15	-4	-	11
TOTAL GOVERNMENT BONDS	**870**	**848**	**239**	**1,087**	**-4**	**-649**	**446**
Bonds issued by public entities							
Hellenic Railways							
Loans and receivables	200	203	22	225	-	-85	140
TOTAL OTHER SECURITIES	**200**	**203**	**22**	**225**	**-**	**-85**	**140**
GRAND TOTAL	**1,070**	**1,051**	**261**	**1,312**	**-4**	**-734**	**586**
TOTAL ADJUSTMENTS (net of amounts allocated to insurance portfolios under separate management)						**-618**	

(1) Includes 12 million euro adjustment for the elimination of the AFS reserve, "crystallised" when reclassifying the security pursuant to IAS 39 amendment (October 2008).

In addition to the above exposures, as stated, the Group has exposures in bonds of other public and private entities resident in Greece for a nominal value of 98 million euro, with a book value of 75 million euro (32 million euro among Loans and receivables, 43 million euro as Financial assets available for sale) and with a fair value of 76 million euro, for which the measurement criteria applied as at previous reporting dates remained unchanged without impairment loss recognition. Furthermore, loans to Greek parties (banks and other customers) have been disbursed for 220 million euro.

Shareholders' equity
As at 30 September 2011, the Group's shareholders' equity, including net income for the period, came to 57,554 million euro compared to the 53,533 million euro at the end of the previous year. The change in shareholders' equity is mainly due to the capital increase completed in June and the reduction in Valuation reserves.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2010	Change in the period	Valuation reserves as at 30.09.2011	
				% breakdown
Financial assets available for sale	-662	-1,289	-1,951	68.9
Property and equipment	-	-	-	-
Cash flow hedges	-494	-381	-875	31.0
Legally-required revaluations	343	-	343	-12.1
Other	-241	-103	-344	12.2
Valuation reserves	**-1,054**	**-1,773**	**-2,827**	**100.0**

The Group's share of valuation reserves increased their negative balance, reaching -2,827 million euro as at 30 September 2011 compared to -1,054 million euro at the end of 2010. The change during the period is attributable to the decrease in value of financial assets available for sale (-1,289 million euro), most markedly debt securities, cash flow hedges (-381 million euro) and other reserves (-103 million euro). Conversely, legally-required revaluations remained stable.

Regulatory capital

Regulatory capital and related capital ratios as at 30 September 2011 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.
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	30.09.2011	31.12.2010
Regulatory capital		
Tier 1 capital	37,336	31,175
of which: instruments not included in Core Tier 1 ratio (*)	*4,510*	*5,016*
Tier 2 capital	13,332	16,348
Minus items to be deducted (**)	-3,199	-3,721
REGULATORY CAPITAL	**47,469**	**43,802**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**47,469**	**43,802**
Risk-weighted assets		
Credit and counterparty risks	278,169	289,172
Market risks	13,503	15,385
Operational risks	27,255	27,175
Other risks (***)	3,129	426
RISK-WEIGHTED ASSETS	**322,056**	**332,158**
Capital ratios %		
Core Tier 1 ratio	10.2	7.9
Tier 1 ratio	11.6	9.4
Total capital ratio	14.7	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 30 September 2011, total regulatory capital came to 47,469 million euro, compared to risk-weighted assets of 322,056 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. With regard to the calculation method for weighted assets, as at 31 March 2011 this included an integration of approximately 8 billion euro for the floor set by the Supervisory Authority in reference to 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), as provided for by the Supervisory Authority. Taking into consideration that the Supervisory Authority issued an order authorising a reduction in the aforementioned floor from 90% to 85%, the calculations as at 30 June and 30 September were prepared according to the new parameters. The decrease in risk-weighted assets in the second quarter is thus mainly due to ordinary business activities, to the ongoing optimisation processes and to disposal of the assets referred to below. The increase in risk-weighted assets in the third quarter is mainly due to the acquisition of Banca Monte Parma.

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 three-quarters of the 2010 dividend, referring to all shares currently in issue and therefore including the new shares issued (994 million euro of the theoretical dividend 2011 totalling 1,325 million euro).

The Total capital ratio stood at 14.7%, while the Group's Tier 1 ratio was 11.6%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.2%.

Breakdown of consolidated results by business 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.

The Intesa Sanpaolo Group

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

(*) Includes the Group's Treasury.

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned according to the Group's organizational 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 nine months 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 third 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 comparative 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 charges for integration and exit incentives 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								
30.09.2011	7,133	2,878	251	1,784	199	587	-312	12,520
30.09.2010	7,468	2,552	240	1,698	203	555	-383	12,333
% change [(a)]	-4.5	12.8	4.6	5.1	-2.0	5.8	-18.5	1.5
Operating costs								
30.09.2011	-4,298	-657	-57	-860	-93	-265	-541	-6,771
30.09.2010	-4,369	-653	-59	-852	-97	-265	-511	-6,806
% change [(a)]	-1.6	0.6	-3.4	0.9	-4.1	-	5.9	-0.5
Operating margin								
30.09.2011	2,835	2,221	194	924	106	322	-853	5,749
30.09.2010	3,099	1,899	181	846	106	290	-894	5,527
% change [(a)]	-8.5	17.0	7.2	9.2	-	11.0	-4.6	4.0
Net income								
30.09.2011	405	1,167	-235	344	54	73	121	1,929
30.09.2010	655	1,027	101	324	52	98	-57	2,200
% change [(a)]	-38.2	13.6		6.2	3.8	-25.5		-12.3
Loans to customers								
30.09.2011	187,258	110,145	42,482	31,147	103	4,038	6,019	381,192
31.12.2010	183,240	110,779	40,508	30,926	153	2,851	10,370	378,827
% change [(b)]	2.2	-0.6	4.9	0.7	-32.7	41.6	-42.0	0.6
Direct customer deposits								
30.09.2011	216,358	85,734	5,053	31,038	10	12,452	44,564	395,209
31.12.2010	220,618	97,026	5,757	30,259	12	12,503	61,144	427,319
% change [(b)]	-1.9	-11.6	-12.2	2.6	-16.7	-0.4	-27.1	-7.5

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

[(a)] The change expresses the ratio between 30.09.2011 and 30.09.2010.

[(b)] The change expresses the ratio between 30.09.2011 and 31.12.2010.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	4,313	4,434	-121	-2.7
Dividends and profits (losses) on investments carried at equity	-	1	-1	
Net fee and commission income	2,438	2,496	-58	-2.3
Profits (Losses) on trading	75	60	15	25.0
Income from insurance business	290	466	-176	-37.8
Other operating income (expenses)	17	11	6	54.5
Operating income	**7,133**	**7,468**	**-335**	**-4.5**
Personnel expenses	-2,486	-2,498	-12	-0.5
Other administrative expenses	-1,804	-1,863	-59	-3.2
Adjustments to property, equipment and intangible assets	-8	-8	-	-
Operating costs	**-4,298**	**-4,369**	**-71**	**-1.6**
Operating margin	**2,835**	**3,099**	**-264**	**-8.5**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-59	-90	-31	-34.4
Net adjustments to loans	-1,481	-1,504	-23	-1.5
Net impairment losses on other assets	-66	-8	58	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,229**	**1,497**	**-268**	**-17.9**
Taxes on income from continuing operations	-645	-618	27	4.4
Charges (net of tax) for integration and exit incentives	-21	-36	-15	-41.7
Effect of purchase price allocation (net of tax)	-158	-189	-31	-16.4
Income (Loss) after tax from discontinued operations	-	1	-1	
Minority interests	-	-	-	-
Net income	**405**	**655**	**-250**	**-38.2**
Allocated capital	**9,930**	**11,647**	**-1,717**	**-14.7**
Profitability ratios (%)				
Cost / Income ratio	60.3	58.5	1.8	3.1
ROE annualised	5.5	7.5	-2.1	-27.5
EVA® adjusted [(a)] (millions of euro)	-29	146	-175	

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Loans to customers	187,258	183,240	4,018	2.2
Direct customer deposits	216,358	220,618	-4,260	-1.9
of which: due to customers	*133,829*	*136,999*	*-3,170*	*-2.3*
securities issued	*65,437*	*64,660*	*777*	*1.2*
financial liabilities designated at fair value through profit and loss	*17,092*	*18,959*	*-1,867*	*-9.8*

Figures restated where required by international accounting standards and, 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.

On 26 July 2011 Intesa Sanpaolo completed the purchase from Fondazione Monte Parma and Banca Sella Group respectively of 51% and 9.8% of the shares of Banca Monte Parma, and as a result now holds 60.8% of the bank's share capital. Note that the figures shown above and commented on below have been restated, with effect from 1 January 2010, to include the results of Banca Monte Parma.

In the first nine months of 2011, Banca dei Territori posted an operating income of 7,133 million euro, representing 57% of the Group's consolidated revenues, down 4.5% on the same period in 2010. In further detail, there was a fall in net interest income (-2.7%) the main causes of which included the smaller contribution from loans to customers following an increase in market interest rates not fully transferred to lending rates and the lower benefits from hedging activities. These effects were also partly offset by the increase in the mark-down on deposits. Net fee and commission income was also down (-2.3%). Decreases were also seen in other income items including income from the insurance business, down from 466 million euro to 290 million euro, due to a reduction in financial margins. Operating costs, amounting to 4,298 million euro, fell (-1.6%) compared to the same period of the previous year. The operating margin amounted to 2,835 million euro, down 8.5% on the first nine months of 2010. Despite the lower net adjustments to loans (-1.5%) and lower net provisions for risks and charges (-34.4%), income before tax from continuing operations came to 1,229 million euro, down 17.9%, as a result of the higher net adjustments to other assets (+58 million euro) primarily relating to the write-down of the Greek securities held in the portfolios of the insurance companies. Lastly, after allocation to the Division of merger and restructuring-related charges of 21 million euro and the economic effects of purchase price allocation of 158 million euro, net income came to 405 million euro, compared to 655 million euro for the first nine months of the previous year.

On a quarterly basis, the operating margin in the third quarter was down 5.9% compared to the second quarter, as a result of a decrease in revenues that more than offset the savings in operating costs. Income before tax from continuing operations was up (+9.9%) as a result of lower provisions for risks and charges and lower net adjustments to loans.

The Division absorbed 40.5% of Group capital, a lower percentage than in the first nine months of 2010. In absolute terms, capital amounted to 9,930 million euro, down 14.7% due to the containment of assets at risk associated primarily with businesses and the retail and small business segments. As a result of the trends in allocated capital and net income described above, annualised ROE came to 5.5%, a decrease compared to the first nine months of 2010. Economic value added was negative (-29 million euro), compared to 146 million euro for the same period of the previous year.

The balance sheet figures at the end of September 2011 showed loans to customers of 187,258 million euro, up 2.2% on the previous year end, mainly as a result of business customers. Direct customer deposits totalled 216,358 million euro, down (-1.9%) from the beginning of the year, mainly due to the fall in amounts due to retail and business customers and liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Household, Personal, Small Business, Private Banking and Small and Medium Enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	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 5,400 branches, including Retail, Business and Private-Banking branches, distributed broadly throughout Italy. The territorial structure is divided into 8 Regional Governance Centres that coordinate 27 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

Retail Marketing Department

Investment	During the third quarter of 2011, the offering of investment products has been expanded with the launch of: – "Investment Solutions By Epsilon – Cedola x 4", a new sub-fund of the Luxembourg mutual fund "Investment Solution By Epsilon", with the twofold objective of achieving an average return, over the recommended investment horizon, higher than the six-year swap rate set at the beginning of the investment period and distributing an annual coupon estimated at the beginning of the investment period; – "Eurizon Strategia Protetta III Trimestre 2011", an Italian registered fund created as a continuation of the "Eurizon Focus Garantito I semestre 2006" which, through active selection of the weightings of the various components of the portfolio, aims to provide capital protection at maturity and moderate growth in invested capital over a six-year time period; – a new portfolio management line "GP Linea Cedola 12/2015", offering diversified investment in bond markets with the aim, at the end of the investment period, of achieving an average annual rate of return at maturity higher than the "Barclays Euro Treasury Bond Dec 2015" index (a customised index denominated in euro) made up of three government bonds in euro issued respectively by the Italian, French and German governments, and also providing for the potential payment of an annual coupon; – a new unit-linked policy of the company Intesa Sanpaolo Life known as "Intesa Sanpaolo Life Prospettiva 07/2011" which, through a wide range of investment profiles available to the investor, offers a flexible investment that can be tailored to customer needs in terms of risk level and time horizon.
Superflash	One of the main initiatives in the third quarter was the launch of "Superflash", which has evolved from being just a banking product into an "umbrella brand" focused on young people aged between 18 and 35 with a new offer range, a new service model and a new language of communication. The range has been restructured for each of the 6 "areas of need" identified (Card, Account, Loan, Mortgage, Savings and Mobile Telephone) to meet the demands of the target market with specific products at favourable conditions, designed to keep costs to the customer at a minimum. In September the first branch with the "Superflash" brand was inaugurated in Milan, an Intesa Sanpaolo flagship store with an environment specifically conceived and designed to meet the needs of young people. In October branches were opened in Turin and Naples and in the coming months branches are due to be opened in the other major Italian cities.

Small Business Marketing Department

Loans	With a view to launching specific initiatives in the area of environmental sustainability and energy savings, Intesa Sanpaolo has entered into a partnership agreement with the Italian environmental organisation Legambiente. In addition to awareness raising campaigns and training projects, the programme will involve jointly identifying the main types of energy saving measures and related financial solutions to be offered to individuals, businesses and public entities. The agreement will be implemented through a series of operating protocols, the first of which is "Eternit Free", which governs the financial support from Intesa Sanpaolo within Legambiente's project for the replacement and disposal of Eternit (fibre cement). The financial products on offer include the following loans: "Finanziamento Sostenibilità Business", for the removal of Eternit, "Finanziamento Energia Business", for the implementation and purchase of photovoltaic installations, and "Finanziamento Gestione Business – Anticipo Imposte", designed to provide short-term funding to meet tax payment deadlines. The offer also includes "Prestito Ecologico", a loan for salaried and freelance workers who invest in the area of energy outside their work activities. In support of the agricultural enterprises of the provinces of Como, Varese, Lecco and Sondrio affected by the exceptional bad weather that struck North Lombardia in July, Intesa Sanpaolo made 15 million euro available and immediately designed a number of specific financing instruments.
Agreements	Intesa Sanpaolo has been actively involved in the creation of the R.I.S.E.E. network, which brings together businesses in Lombardia operating in the area of energy efficiency and savings, particularly in the renewable energy sector. Two agreements have been signed in favour of the network's businesses and customers that, with the aid of Mediocredito Italiano's specialist unit, have established financing products for the businesses and a range of banking products and services for their end customers to cover the costs of supply of goods and services by the R.I.S.E.E. network or its member businesses. The R.I.S.E.E. network represents a model of financial structure for the Group that can be repeated in similar situations for other enterprises.

Business Marketing Department

Internationalisation	A new innovative product "Export Facile" has been launched in support of export companies, which provides for the purchase without recourse of receivables from invoices with due dates not exceeding 150 days, without any amount limits or minimum number of foreign debtors to be assigned, offering the companies a hedge against the risk of default on the receivables together with the possibility of freeing the receivables up to meet their working capital needs.
Agreements	In view of the positive outcome from the previous experience, Intesa Sanpaolo renewed the agreement it entered into in June 2009, aimed at promoting the structural reinforcement and competitiveness of the Italian tourism industry. Through this initiative, which is part of the "Italia & Turismo" project implemented by the Italian Ministry of Tourism together with the national tourism industry associations and the banks, Intesa Sanpaolo has made a maximum amount of 1 billion euro available to small and medium enterprises in the tourist sector to facilitate access to credit. The funds available are aimed at financing investments to upgrade and develop enterprises in the tourist sector, with a specific focus on business combinations, commercial enhancement, generational turnover and energy savings. The financing, with a duration of between 2 and 20 years, will cover up to 80% of the investment without any amount limits. The offer has been built around the specific needs of tourist enterprises, taking into account the longer periods of return on investment than other sectors and the seasonality of cash flows in the industry.

Intesa Sanpaolo Private Banking

In the third quarter of 2011, Intesa Sanpaolo Private Banking's activities continued according to the consolidated strategies: innovating commercial offerings, developing customers and synergies with other markets, and brand promotion.
In terms of commercial offerings, work continued during the quarter on development and commercial support for the new advanced "Private Advisory" service, which consists of providing an analysis of the customer's portfolio (held at the Bank or, upon specific request from the customer, at third party intermediaries) followed by the formulation of proposals for optimisation of the allocation of the portfolio. The service has been increasingly successful among customers, also in the uncertain market environment of the third quarter of 2011. As part of the expansion of the product range, the partnership has been strengthened with Epsilon SGR – the joint venture between Banca IMI and Eurizon Capital – through the launch of a flexible bond mutual fund called "Investment Solutions by Epsilon – Forex Coupon 2016". Commercial operations also included the successful public

offering of ENI S.p.A. (400 million euro) in addition to the usual placement of Group bonds and of certificates in collaboration with Banca IMI (1.5 billion euro since the beginning of the year).
In order to provide more targeted support to the marketing process, while also improving each banker's awareness of the levers available to achieve their economic, commercial and service quality objectives, development continued of the dedicated platform for the monitoring of key indicators and results of marketing actions.
The commitment of Intesa Sanpaolo Private Banking continued by way of the constant monitoring of service levels through a policy of promoting the value of human resources, who are part of a continuous training process.
Brand promotion activities also continued in the third quarter of 2011, through intense press activity, organisation of local events and selected sponsorships.
In October, Intesa Sanpaolo Private Banking was ranked the best private bank in Italy by the magazines The Banker and PWM (Financial Times group).
In the first nine months of 2011, Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 113 million euro, up 21.4% compared to the same period of 2010, as a result of the growth in operating income (+8.7%) driven by net fee and commission income (+6.9%). After higher taxes, net income came to 68 million euro, a decrease of 7.2%.

Product companies

In the third quarter of 2011, development of operations of Mediocredito Italiano continued, also following the amendments introduced since the beginning of the year to the service model with the Banca dei Territori Division, with the enhancement of the operational integration of the sales networks. In the first nine months of 2011, new loans totalling 2.6 billion euro were disbursed, an increase of more than 70% compared to the same period of 2010. The transactions channelled through Intesa Sanpaolo networks represented 98% of the total amount disbursed. Within the new service model the outsourced analysis on behalf of network banks decreased to 109 million euro compared to 814 million euro in the first nine months of 2010. Operations of the Specialised Desks continued to be intense during the period with disbursements of 985 million euro, of which 67% in the renewable energy segment. With regard to support for Innovation and Research, new disbursements totalling 275 million euro for the dedicated product Nova+ were made during the period.
The performance of commercial operations suffered during the third quarter, with a notable slowdown in disbursements in the second half of August and in September, caused by strains in the financial markets that were triggered by the sovereign debt crisis in August and continued in September. In response to the unfavourable macroeconomic situation an intensive programme of local business development was implemented. The "percorso sostenibilità" (sustainability pathway) was launched, under the "Vivaio Imprese" project for businesses with high development potential, for which three strands have been identified: energy efficiency, health and safety, and corporate welfare. Loans totalling around 150 million euro were disbursed and a service model was developed, by the Networks & Research Desk, for businesses that want to work together using the "contratto di rete" (network agreement) introduced by Law 122/2010.
In the first nine months of 2011, Mediocredito Italiano reported an operating margin of 129.5 million euro, up on the same period last year (+9.6%), mainly due to higher net interest income. Income before tax from continuing operations and net income were negative (-25 million euro and -26 million euro, respectively) primarily due to greater net adjustments to loans (+53 million euro).

Consumer credit activities are carried out through Moneta and Neos Finance.
Moneta closed the first nine months of 2011 with a total amount financed of approximately 1.4 billion euro, 4% lower than the figure in the same period of 2010. Specifically, the Personal Loans segment decreased 2.1%, while the assignment of one-fifth of salary segment fell 4.5%. Lastly, the Credit Cards segment, now marginal as a result of the discontinuation of the product, decreased by 67%.
Moneta's operating margin amounted to 78.5 million euro, compared to 42 million euro in the corresponding period of the previous year (excluding dividends received from the former subsidiary Setefi in the first nine months of 2010, amounting to 70 million euro). Net income came to 23 million euro.
Neos Finance closed the first nine months of 2011 with a total amount financed of 1.4 billion euro, 2.5% higher than the same period of the previous year. The personal loans, special-purpose loans and assignment of one-fifth of salary segments reported increases (+18.5%, +11.2% and +41.6%, respectively). Car loans, leasing and credit cards reported decreases.
Neos Finance's operating margin came to 79 million euro, up 10.7% on the same period of 2010. The company closed the first nine months of 2011 with a loss of 49 million euro, due to the higher net adjustments to loans, which more than doubled compared to the same period of the previous year.

Setefi specialises in managing electronic payment systems, and was registered in the new Payment Institutes Registry kept by the Bank of Italy. The reassumption of direct control over the company by Intesa Sanpaolo was finalised on 27 June 2011. Strategic choices result in defining the company as an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS.
In the first nine months of 2011 Setefi reported a significant increase in operating margin, which rose to 127 million euro (+24.8% compared to the same period in 2010) and in net income, which came to 84 million euro (+21.2%).
Almost all the 10.4 million cards managed by Setefi as at 30 September 2011 were issued directly by the Parent Company and the Group banks, and their number increased by approximately 9.8% compared to the first nine months of the previous year. The number of POS as at 30 September 2011 amounted to 307,000, an increase of 14% on 30 September 2010. The total number of transactions handled (transactions at Setefi POS and transactions on cards issued by Group banks on other POS) increased 22.1% (from 327 million transactions as at 30 September 2010 to 399 million transactions as at 30 September 2011); the total amount transacted was up around 20% (from 25.7 billion euro to 30.8 billion euro). In the third quarter of 2011, Setefi continued the process of efficiency enhancement and improvement of its operations, maintaining a constant focus on costs. The initiatives during the quarter included the launch, under the "Superflash" offering, of the "Move and Pay" platform (an innovative system enabling money transfer and payment for goods and services by mobile telephone), developed with the

contribution of Setefi. The cross-border acquiring project is in the process of being implemented, following its launch in Switzerland, with the activation of sales points in France and Spain (the foreign language versions of the monetaonline site have also been released). Development continued of the project aimed at concentrating the activities relating to the Bancomat/Pagobancomat card authorisation system (including ATM withdrawals) within Setefi. Also at the advanced stage is the development of the project for the strengthening and upgrading of the channel and e-commerce services (internet portals of owners and traders and for electronic commerce). Lastly, work has started on the initiative that will allow Setefi to also offer its services to "non-captive" customers in the Italian market.

Banca Prossima

Banca Prossima operates in the non-profit sector through 66 local branches and 140 specialists distributed throughout Italy. As at 30 September 2011 Banca Prossima had approximately 15,500 customers (almost 63% of which new to the Group). As at the same date, financial assets amounted to 3.5 billion euro, of which over 800 million euro in direct customer deposits, and lending operations had achieved an approved amount of close to 1 billion euro. In the first nine months of 2011, the company doubled its revenues (over 21 million euro) compared to the same period in 2010, achieving an operating margin of 5.5 million euro and net income of 2.1 million euro.
During the quarter the bank worked jointly on projects involving the entire Intesa Sanpaolo Group. Under "Superflash", the new offering dedicated to the under 35s, Banca Prossima contributed to the development of the "Impegno Sociale" (social commitment) area, and was responsible, in particular, for the development of the sections dedicated to Terzo Valore and Terzo Set-ORE, a new initiative enabling young people to offer their services as volunteers for the non-profit organisations involved in the project.

Insurance and Pension companies

In the first half of 2011 the reorganisation of the insurance segment of the Intesa Sanpaolo Group was relaunched as a result of the decisions of the Italian Competition Authority, which revised the measures for the life business segment of the insurance market as a result of the merger between Banca Intesa and Sanpaolo IMI. In particular, the Competition Authority revoked the obligation to sell the insurance company Sud Polo Vita to third parties, and established that the distribution restrictions set for EurizonVita and Intesa Vita no longer apply. Within this context, the authorisation process was completed in September 2011 and shareholder approval was obtained, on 17 October, for the merger plan that will lead to the integration of the four companies EurizonVita, Sud Polo Vita, Intesa Sanpaolo Vita and Centrovita Assicurazioni.
In the first nine months of 2011, the companies operating in the insurance segment reported a total of 120 million euro in income before tax from continuing operations, down 66.4% on the same period of 2010, mainly due to the poor performance of financial management, penalised by the deterioration of the financial markets and the impact on the companies of the negative fair value resulting from the losses on investments. In contrast, the first nine months of 2010 had benefited from capital gains from the sale of securities which had become impaired in previous years.
At the end of September 2011 the portfolio of policies came to 68,244 million euro, up 2.5% from the beginning of the year. In the first nine months of 2011, gross life premiums underwritten for both insurance products and policies with investment content amounted to 9,534 million euro, down (-11%) on the same period in 2010. New life business amounted to 9,113 million euro in premiums underwritten (-12.2% on the first nine months of the previous year).

As at 30 September 2011 the assets managed by Intesa Sanpaolo Previdenza (formerly Intesa Previdenza) came to 1,316 million euro, of which over 80% consisted of open-ended pension funds established by the company (-1.9% compared to the end of December 2010) and the remainder of management mandates for closed-end funds (increasing by 10.3% since the beginning of the year). Net inflows for the first nine months were positive for both types of funds.
At the end of September 2011, Intesa Sanpaolo Previdenza Sim had almost 246,000 pension positions under management, of which approximately 141,000 attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	1,479	1,458	21	1.4
Dividends and profits (losses) on investments carried at equity	-2	-28	-26	-92.9
Net fee and commission income	751	681	70	10.3
Profits (Losses) on trading	630	420	210	50.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	20	21	-1	-4.8
Operating income	**2,878**	**2,552**	**326**	**12.8**
Personnel expenses	-282	-289	-7	-2.4
Other administrative expenses	-371	-359	12	3.3
Adjustments to property, equipment and intangible assets	-4	-5	-1	-20.0
Operating costs	**-657**	**-653**	**4**	**0.6**
Operating margin	**2,221**	**1,899**	**322**	**17.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-13	-5	8	
Net adjustments to loans	-313	-314	-1	-0.3
Net impairment losses on other assets	-20	-12	8	66.7
Profits (Losses) on investments held to maturity and on other investments	-141	-4	137	
Income (Loss) before tax from continuing operations	**1,734**	**1,564**	**170**	**10.9**
Taxes on income from continuing operations	-565	-531	34	6.4
Charges (net of tax) for integration and exit incentives	-2	-5	-3	-60.0
Effect of purchase price allocation (net of tax)	-	-1	-1	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**1,167**	**1,027**	**140**	**13.6**
Allocated capital	**8,174**	**9,286**	**-1,112**	**-12.0**
Profitability ratios (%)				
Cost / Income ratio	22.8	25.6	-2.8	-10.9
ROE annualised	19.1	14.8	4.3	29.1
EVA® adjusted [(a)] (millions of euro)	568	349	219	62.8

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Loans to customers	110,145	110,779	-634	-0.6
Direct customer deposits	85,734	97,026	-11,292	-11.6
of which: due to customers	*30,145*	*33,329*	*-3,184*	*-9.6*
securities issued	*52,636*	*60,426*	*-7,790*	*-12.9*
financial liabilities designated at fair value through profit and loss [(b)]	*2,953*	*3,271*	*-318*	*-9.7*

Figures restated where required by international accounting standards and, 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.

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

The Corporate and Investment Banking Division underwent the first nine months of 2011 with increased competencies and a broad diversification of the related business portfolio and activities, and achieved 2,878 million euro in operating income (representing 23% of the Group's consolidated figure), up on the same period of 2010 (+12.8%).
In detail, net interest income amounted to 1,479 million, representing a slight increase (+1.4%). This positive performance was mainly attributable to the increase in average volumes of loans, driven in particular by the operations of the factoring, leasing and structured finance product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from higher interest and active management in the finance and capital management segment. Net fee and commission income, amounting to 751 million euro, improved by 10.3%, due to higher income linked to both commercial

banking services, particularly loans and guarantees and factoring, and new investment banking transactions, especially on the primary and structured finance markets. Profits on trading, amounting to 630 million euro, showed an increase of 50% on the first nine months of 2010, attributable to higher revenues from the private equity operations of the Merchant Banking Department and, significantly, to the considerable capital gains generated by the securities portfolio and investments (particularly the sale of 4% of Prada), as well as dividends from trading collected. Operating costs amounted to 657 million euro, essentially stable compared to the first nine months of 2010 (+0.6%), reflecting the careful control of costs. The cost/income ratio, equal to 22.8%, decreased by 2.8 percentage points, benefiting from the expansion of revenues, and is consistent overall with the mix of transactions, lending/funding and investment banking managed by the Division. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,221 million euro, recorded an 17% increase. Income before tax from continuing operations, amounting to 1,734 million euro, reported an increase (+10.9%), though in the presence of greater provisions and adjustments relating to impairment of financial assets and investments, specifically in Telco. Lastly, net income, which amounted to 1,167 million euro, was up 13.6% on the same period of the previous year.
In quarterly terms, the third quarter of 2011 showed a decrease in operating income (-27.8%) compared to the second quarter, attributable to the trend in profits (losses) on trading, particularly in the merchant banking segment, which had generated significant revenues in the previous quarter. The revenue performance, which was not sufficiently offset by the reduction in operating costs, resulted in a decrease in the operating margin (-31.3%). Net income fell compared to the previous quarter (-26.7%), despite lower adjustments to financial assets and other investments.
The Division absorbed 33% of the Group’s capital, representing a decrease compared to the first nine months of 2010. Capital allocated came to 8,174 million euro and was down, with the reduction attributable to lower credit risks associated with loans to Mid Corporate, Large Corporate Italy and International Corporate counterparties. The sector's performance, along with lower amount of capital absorption, was reflected in an increase in annualised ROE, which rose from 14.8% to 19.1%. EVA® reached 568 million euro, up significantly on the corresponding period of the previous year.
The Division’s intermediated volumes were down compared to the end of December 2010 (-5.7%). In particular, loans to customers fell slightly (-0.6%), mainly due to the reduction in disbursements by International Corporate and Financial Institution counterparties, while loans in the Large Corporate Italy and Mid Corporate segments remained essentially stable. Reverse repo transactions by Banca IMI with institutional operators and financial intermediaries also decreased. Direct customer deposits fell by 11.6%, affected by the lower growth in transactions in securities, particularly in relation to the placement of bonds by Banca IMI, and the decline in liquidity in short-term deposits of leading customers.

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 Corporate Italy (formerly Large & International Corporate)	The Department is charged with managing relationships with large corporate Italian customers through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets
Mid Corporate	The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Business Internationalisation Unit	The Department is responsible for managing relations with international customers and foreign multinationals with subsidiaries in Italy, and is in charge of 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 Markets	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the companies Leasint and Centro Leasing
Distribution structure	It draws on 56 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 Corporate Italy (formerly Large & International Corporate) and Mid Corporate

At the end of September of 2011, volumes used by corporate customers increased slightly, especially on short-term loans. The level of use of these credit lines was higher than the industry average, particularly for the Mid segment. For mid-corporate customers, the trend towards greater use of credit lines reported by the market was confirmed, especially for the short-term financial and international components. In particular, the international component saw a considerable increase in the level of use, owing in part to the implementation of the Division project that fosters internationalisation in terms of both operational support for the customer and greater credit capacity. The average improvement in the quality of the loans portfolio continued, as a result of a Group policy of withdrawal from higher risk positions. Constant assessment of risk, as well as a balanced policy of development in loans to customers, resulted in the Group maintaining its share of wallet at about 27% for the medium and long-term amounts used, with significant growth in the Large Italy segment.

In the first nine months of 2011, a total of 60 structured finance and investment banking transactions were undertaken in the Mid-Corporate Department (23 in the third quarter), compared to 40 transactions undertaken in the same period of 2010 (16 in the third quarter), confirming the recovery of extraordinary corporate finance activity, focused in particular on debt transactions (structured finance).
The initiatives launched during the third quarter include: the continuation of the "Start-Up Initiative", the platform devoted to companies that innovate, with the launch of the international initiative in Paris, part of the "Italian Innovation Day" events and focused on various areas of technological innovation; and the development of customer relationship management instruments, for use by the commercial units, aimed at encouraging synergies and the generation of cross business between the Division's various products, and including a commercial monitoring system that promotes collaboration between the various product areas and monitors the generation of cross-selling of the products, together with a management dashboard which, in addition to data on the Division's earnings and operating performance, also shows the results generated by the interaction between the Division's various products. The finalisation of the Technology Opportunity Proposal (T.O.P.) and Technology Transfer Advisory (T.T.A.) projects, which were created and implemented during the previous year, also continued. Lastly, in order to confirm Intesa Sanpaolo's role as the partner of choice for companies, a project was developed which involves the logistics concentration of all internal product skills and relations for all customer segments into physical points within the 8 Regional Governance Centres, which will be supported by the branches of the Banca dei Territori and the pre-existing Mid and Large-Corporate branches. The pilot project was carried out in June in the Triveneto area and will be followed by the roll out to all Regional Governance Centres by the end of 2011.

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. During the third 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. Two projects were continued during the period: the internationalisation strategy, developed and finalised in 2010, and Inbiz, the Group's new global platform for access to cash management services, electronic invoicing, trade services and factoring. This platform, created in collaboration with Banca dei Territori, supports a wide range of on-line transactional services for customers with international operations, enabling them to operate bank accounts held at Group banks in Italy, Croatia, France, Germany, the United Kingdom, the Netherlands, Romania, Spain, Slovakia and Hungary.
The Department is responsible for:
- Société Européenne de Banque, which recorded a net income of 84 million euro in the first nine months of 2011, reporting significant growth (+21.8%) compared to the first nine months of 2010, thanks to growth in revenues (+21.1%), attributable to the positive trend in profits on trading and the reduction in costs (-0.8%), which more than offset the higher adjustments to loans (+5 million euro);
- Intesa Sanpaolo Bank Ireland, which closed the first nine months of 2011 with a net income of 68 million euro, down 16.8% on the same period of 2010, due to the fall in operating income (-21.9%), penalised by lower net interest income, which was not sufficiently offset by the reduction in operating costs (-3.2%) and the recoveries on loans (+5 million euro).

Global Banking & Transaction (formerly Financial Institutions)

During the third quarter the Department adapted its trade finance strategy to the changes in the market environment by adopting a conservative approach in response to the problems of liquidity in the financial markets.
In the Trade and Structured Export Finance segment, the Department continued its strategy of insertion in structured export finance, both from mature markets to emerging markets and for trade flows between emerging markets, and also took part in deals involving Italian exports. In the Structured Commodity Finance segment it participated in a transaction for Metalloinvest, one of the leading Russian manufacturers of ferrous metals and steel, and for Rusal, a world leader in the aluminium sector, and in a transaction promoted by the EBRD for the Serbo MK Group, which operates in the agricultural sector, to support the management of its working capital.
In Transaction Banking, the sale campaign continued for a customised product for the management of cheques and cash payments, primarily aimed at insurance customers. The business related to the AGOS Ducato portfolio was also acquired, which will enable a significant increase in volumes. On the domestic banking front, a new customer was acquired in the area of domestic settlements and SEPA, which will become fully active from the first quarter of 2012.
As regards the international subsidiary banks, cooperation agreements have been drawn up and signed with a number of counterparties for FX conversion operations and start-up tests have been initiated. A new campaign has also been launched for the multicurrency clearing offering, linked to the Eastern European subsidiaries.
With regard to the securities services customers of the Local Custody Department, development initiatives in the third quarter involved the acquisition of new customers under the triparty agreement with ABN (Getco and Sunrise Brokers) and the marketing of services, under the cross-selling with Banca IMI, aimed at the acquisition of integrated execution, settlement and custody mandates (Camperio Sim, Sempione Sim, Binck Bank, Conduit Capital Market and Fidentiis). Lastly, the Department continued to oversee the operations of agent banks that provide custody services for international securities.

Merchant Banking

As at 30 September 2011, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 2.7 billion euro, of which 2.3 billion euro invested in companies and 0.4 billion euro in private equity mutual funds.
During the third quarter, the Merchant Banking Department acquired a stake in the capital of GWM Renewable Energy II S.p.A., the company that controls the renewable energy operations of GWM Group, with a shareholding of 12.5%, corresponding to 20 million euro, and the subscription of a shareholder loan for 4 million euro. The company intends to become a major European player in the renewable energy sector and is currently active in a number of European countries in the field of photovoltaic and wind energy.
The Department also signed a commitment for 27 million euro, corresponding to 9.9% of the DGPA & TATO' mutual investment fund, specialised in investment in the venture capital of enterprises, which are mainly unlisted, and are in situations of financial difficulty or crisis or need restructuring.
Through the subsidiary IMI Investimenti, the Merchant Banking Department subscribed for the capital increase of NewCo II S.r.l., for an amount of 8 million euro, leading to the acquisition of a 36.5% shareholding in Pavan S.p.A., a company operating in the area of equipment and machinery for the food industry.

Structured Finance

In the third quarter of 2011, in the area of acquisition finance, the Department, acting as Mandated Lead Arranger (MLA), structured credit facilities to fund the acquisition by the private equity fund T.A. Associates of DNCA Finance and the acquisition of SPIE (France) by a group of investors made up of the private equity funds Clayton, Dubilier & Rice and AXA Private equity. In collaboration with the relations units of the Corporate and Investment Banking Division, the business unit also contributed to the origination and structuring of credit facilities for borrowers with high financial leverage in relation to corporate acquisitions, leveraged buyouts or medium-term refinancing that will be carried out during rest of 2011. These included the facilities to fund the acquisition by the private equity fund Gruppo Alfa of Savio Macchine Tessili S.p.A. and its subsidiaries.
In the infrastructure sector, facilities were provided to Salik One SPC Limited (Dubai), a vehicle set up by the Dubai Government to monetise future cash flows from the motorway tolls of the Salik Toll Road, the Emirate's main motorway artery.
In the real estate sector, Banca IMI maintained its leadership in the structuring of loans during the third quarter of 2011. Origination activities resulted in the finalisation and signing of credit facilities for the acquisition of a portfolio of 20 properties leased to Metro in Italy by the real estate fund Immobiliare 20M managed by BNP REIM SGR and the acquisition of a portfolio of bank branches leased to Banca delle Marche by the real estate fund Conero managed by Idea Fimit SGR.
In the syndicated loans segment, Banca IMI finalised transactions for La Gardenia, Tirrenia, Fiat auto, Savio Macchine Tessili and Transigas. Lastly, it acted as agent in the most significant structured syndicated loan transactions in Italy including those involving PB Norge, Enel Retegas and Eon.

Proprietary Trading

During the third quarter, the Proprietary Trading segment recorded a negative contribution in terms of income. In detail, structured credit products were penalised by the negative market conditions, generating negative income results on unfunded and funded positions (European/US ABSs/CDOs) and on monoline structures. Risk exposure, taking into account write-downs and write-backs, also decreased from 2,979 million euro as at 30 June 2011 to 2,834 million euro as at 30 September 2011 (3,715 million euro as at 31 December 2010).
The hedge fund portfolio showed movement through both new acquisitions and disposals and the management of pre-existing units: the portfolio at the end of September 2011 totalled 664 million euro, down compared to both the end of June (-24 million euro) and the beginning of the year (-150 million euro). The funds segment had a negative impact on the income statement primarily attributable to positions relating to the banking and energy segments that were affected by increased uncertainties about the global economic situation compared to the first half of the year.

Investment Banking, Capital Market and Primary Markets

In the third quarter of 2011 stock market performance was particularly poor and this was reflected in a reduction in activity in both the equity and the debt capital markets.
In the equity segment, the third quarter saw the lowest volumes since 2003. In this environment, Banca IMI continued to prepare of a number of potential IPOs, as joint global coordinator and joint bookrunner. As at 30 September, Banca IMI was acting as specialist or corporate broker for 37 companies quoted on the Italian market, continuing its leadership in this market segment.
The slowdown in the debt capital markets segment was partly attributable to the difficult economic and financial environment and partly to seasonal trends. New bond issues in Europe over the last three months declined sharply compared to the previous quarter and the same trend was seen in the Italian market where issues in the third quarter were a third lower than in the previous quarter. With regard to Italian corporate customers, Banca IMI acted as bookrunner for the Enel issue and, in September, coordinated the syndicate for the Public Offering of the Eni bonds placed among the general public in Italy. Lastly, in the high yield market, the bank acted as bookrunner for the Heidelberg Cement issue. With regard to financial institutions, the bank acted as bookrunner for the Barclays Bank covered bond.
M&A and Advisory business during the quarter was essentially stable compared to the same period of 2010 in both the European and the Italian market, whereas against the second quarter there was sharper reduction in Italy (-75%) than in Europe (-19%). In this environment, at the end of September Banca IMI maintained its leadership in Italy both in terms of number and value of

transactions. In the third quarter, assistance was provided in particular in the energy sector to Oil & Gas, Eni and GMW, in the TMT sector to Mediaset, and in the Diversified Industrial sector to Bridgepoint, Fondo Alpha, Investindustrial and Palladio.

Factoring and Leasing

Mediofactoring reported a turnover of 36.3 billion euro in the first nine months of 2011, a 64.4% increase on the same period of 2010, allowing it to remain the number-one domestic factoring provider by turnover. This performance was attributable to its transactions without recourse, which almost doubled compared to the first nine months of the previous year. Compared to 31 December 2010, period-end loans amounted to 7.6 billion euro, down by 9.8%. The amount outstanding also decreased from the beginning of the year (-8.7%). The positive performance of factoring, net of seasonal trends, was confirmed by the average volumes, amounting to 6.6 billion euro, representing an increase of 21.4% compared to the same period of 2010. In terms of income statement figures, the operating margin for the first nine months of 2011, amounting to 113 million euro, was up 20.6% on the same period last year as a result of the increase in operating income (+17.6%) which more than offset the increase in operating costs (+7.9%). Net income was 59 million euro, up 31.2%, benefiting from lower net adjustments to loans (-12.4% compared to the first nine months of the previous year).

Through Leasint and Centro Leasing, Intesa Sanpaolo is the second largest leasing provider in the Italian market with a share of 18.9%, up from 17.9% at the end of December 2010.
In the first nine months of 2011 Leasint entered into 7,931 new contracts, for a total amount of 2,978 million euro (+23% compared to the same period of 2010), with an increase also in the amount outstanding (+6.4%). The composition of the portfolio was influenced by the considerable growth of Leasenergy, the product devoted to power generation attributable to the Instrumental and Property segments, which represent 37.7% of the total portfolio. Net of the development of Leasenergy, there were increases in the real estate segment (+31.3%), also thanks to the completion of the transaction with Lavazza, and in the automotive segment (+4.1%), while the movable property segment declined (-8%). Despite the continued difficult market conditions, net income came to 39 million euro, up 28.3% on the first nine months of 2010 due to the increase in revenues (+3.4%) and the reduction in adjustments to loans (-12.5%).
In the first nine months of 2011, Centro Leasing achieved an operating margin of 49 million euro, down 7.1% on the same period last year, mainly due to lower operating income (-8.1%). The company ended the first nine months of the year with net income of 1.2 million euro, compared to a net loss of 10 million euro in the same period of 2010, benefiting from lower adjustments to loans (-28.9%).

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	222	209	13	6.2
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	40	48	-8	-16.7
Profits (Losses) on trading	-12	-19	-7	-36.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	2	-1	-50.0
Operating income	**251**	**240**	**11**	**4.6**
Personnel expenses	-27	-26	1	3.8
Other administrative expenses	-30	-33	-3	-9.1
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-57**	**-59**	**-2**	**-3.4**
Operating margin	**194**	**181**	**13**	**7.2**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-16	-18	-2	-11.1
Net impairment losses on other assets	-472	-	472	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**-294**	**163**	**-457**	
Taxes on income from continuing operations	59	-59	118	
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-3	-3	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**-235**	**101**	**-336**	
Allocated capital	**1,210**	**1,249**	**-39**	**-3.1**
Profitability ratios (%)				
Cost / Income ratio	22.7	24.6	-1.9	-7.7
ROE annualised	n.s.	10.8		
EVA® adjusted [(a)] (millions of euro)	-321	14	-335	

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Loans to customers	42,482	40,508	1,974	4.9
Direct customer deposits	5,053	5,757	-704	-12.2
of which: due to customers	*3,505*	*4,211*	*-706*	*-16.8*
securities issued	*1,548*	*1,546*	*2*	*0.1*

Figures restated, where required by international accounting standards and, 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 the Public Finance Division in the first nine months of 2011 show growth in the operating margin, as a result of the positive trend in revenues and effective cost containment measures.
Operating income amounted to 251 million euro, up 4.6% compared to the first nine months of 2010, due to the following factors: net interest income of 222 million euro, up 6.2% compared to the same period of the previous year, owing to the increase in average spreads to customers and the substantial stability of operations, which benefited from the development of the component linked to customers both in Italy (where the short-term segment produced significant non-recurring contributions) and internationally; net fee and commission income of 40 million euro, down 16.7%; and losses on trading of 12 million euro, compared to losses of 19 million euro in the first nine months of 2010, as a result of negative impacts primarily related to the credit risk adjustments and fair value adjustments in hedge accounting. Average loans to customers decreased slightly (-1.3%, including securities), and included new disbursements of over 4 billion euro from September 2010 to September 2011.
Operating costs amounted to 57 million euro, decreasing by 3.4% compared to the first nine months of the previous year,

reflecting effective cost containment measures. The cost/income ratio consequently fell to 22.7% from 24.6% in the first nine months of 2010. As a result of the above trends, the operating margin, amounting to 194 million euro, increased by 7.2%.
Income before tax from continuing operations, amounting to -294 million, was impacted by the write-downs of Greek government securities totalling 472 million euro in relation to a nominal exposure of 697 million euro. Lastly, net income amounted to a loss of 235 million euro. Net of these write-downs, income before tax from continuing operations amounted to 178 million euro, a 8.9% increase, and net income was 107 million euro (+5.9%).
At quarterly level, operating income for the third quarter of 2011 fell by 39.4% compared to the second quarter, mainly as a result of the fall in the profits on trading, due to negative credit risk adjustments and the results from hedging. Net interest income and net fee and commission income, as a whole, remained substantially in line with the previous quarter. Income before tax from continuing operations and net income for the third quarter were negative due to the higher adjustments made for the period in relation to the impairment of securities issued/guaranteed by the Greek government.
Capital allocated amounted to 1,210 million euro, down on the first nine months of 2010, due to the decrease in credit risk linked to the decrease in average loans. Annualised ROE and EVA® were penalised by the loss suffered during the period. Net of the negative impacts of the impairment on Greek securities, these indicators were up on the first nine months of 2010, with annualised ROE at 11.8% (compared to 10.8%) and EVA® up from 14 million euro to 21 million euro.
With regard to the main balance sheet figures, loans to customers, amounting to 42,482 million euro, increased (+4.9%) since the beginning of the year, owing to the new business acquired during the period and the fair value adjustment of the interest rate hedging on securities and loans. Direct customer deposits amounted to 5,053 million euro, down 12.2%, 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 third quarter of 2011, to support and promote the development of large national infrastructures, Public Finance continued activity on large motorway projects, including the Milan East outer ring road, the BreBeMi project (Brescia-Bergamo-Milano motorway), with the structuring of the transaction and inauguration of the works, and the Pedemontana Lombarda motorway, supported by a bridge loan for commencement of the works.
In support of healthcare services, universities and scientific research, Public Finance continued the without recourse factoring of receivables due to contracted healthcare facilities and suppliers of the Local Healthcare Authorities of the Lazio Region and the factoring of receivables due to suppliers of Healthcare Companies and Hospitals in the Campania Region.
As part of the measures to improve public services and utilities, Public Finance granted a loan to the municipality-owned company AIMAG, which handles the energy, environmental and technological services in the municipalities of the provinces of Modena and Mantova. In the area of alternative low-environmental-impact energy, the Division is involved in numerous wind farm and photovoltaic projects. Of note, in the third quarter, was the consolidation of the bridge loans already granted to Intersolar and Compagnia Solare for the installation of photovoltaic plants in Ravenna and various provinces in Puglia.
In order to aid the financial stability of the public sector, the Division continued to support the Public Administration and its suppliers by providing advances on the amounts due to the suppliers from Local Authorities. Numerous agreements were signed for the without recourse factoring of receivables due to suppliers for goods and services to municipalities, provinces and regions throughout Italy, including the municipalities of the provinces of Potenza and Milan.
In the area of government subsidised loans, Public Finance continued to provide support to defence systems suppliers as part of the priority investment programmes for national defence.
In relation to urban and local development projects, significant transactions were completed for local area development, including the loan for the construction of an integrated shopping centre in Pompei that will result in the redevelopment of a disused industrial area and the loan granted to Istituto Trentino per l'Edilizia Abitativa (ITEA) for social housing projects.
International operations included the continuation of the structuring of the Gebze-Orhangazi-Izmir motorway project, one of the major works initiated in Turkey with the contribution of Italian construction companies.

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	1,305	1,225	80	6.5
Dividends and profits (losses) on investments carried at equity	16	12	4	33.3
Net fee and commission income	429	423	6	1.4
Profits (Losses) on trading	67	72	-5	-6.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	-33	-34	-1	-2.9
Operating income	**1,784**	**1,698**	**86**	**5.1**
Personnel expenses	-436	-428	8	1.9
Other administrative expenses	-323	-322	1	0.3
Adjustments to property, equipment and intangible assets	-101	-102	-1	-1.0
Operating costs	**-860**	**-852**	**8**	**0.9**
Operating margin	**924**	**846**	**78**	**9.2**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	2	3	-1	-33.3
Net adjustments to loans	-455	-412	43	10.4
Net impairment losses on other assets	-6	-2	4	
Profits (Losses) on investments held to maturity and on other investments	5	2	3	
Income (Loss) before tax from continuing operations	**470**	**437**	**33**	**7.6**
Taxes on income from continuing operations	-126	-113	13	11.5
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**344**	**324**	**20**	**6.2**
Allocated capital	**2,378**	**2,409**	**-31**	**-1.3**
Profitability ratios (%)				
Cost / Income ratio	48.2	50.2	-2.0	-4.0
ROE annualised	19.3	18.0	1.4	7.6
EVA® adjusted [(a)] (millions of euro)	110	103	7	6.8

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Loans to customers	31,147	30,926	221	0.7
Direct customer deposits	31,038	30,259	779	2.6
of which: due to customers	*27,947*	*27,457*	*490*	*1.8*
securities issued	*3,073*	*2,802*	*271*	*9.7*
financial liabilities designated at fair value through profit and loss	*18*	-	*18*	-

Figures restated where required by international accounting standards and, 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.

In the first nine months of 2011, the Division's operating income was up 5.1% compared to the same period of the previous year, to 1,784 million euro. A detailed analysis shows that net interest income came to 1,305 million euro, an increase on the 1,225 million euro in the first nine months of 2010 (+6.5%), owing chiefly to Privredna Banka Zagreb (+44 million euro), VUB Banka (+28 million euro), Banca Intesa Beograd (+21 million euro), Pravex Bank (+12 million euro) and Banka Koper (+5.5 million euro) only partly absorbed by the decrease of CIB Bank (-31 million euro). Net fee and commission income increased 1.4%, attributable in particular to Privredna Banka Zagreb (+5.5 million euro), Banca Intesa Beograd (+3 million euro) and VUB Banka (+2 million

euro). In contrast, profits on trading, amounting to 67 million euro, fell compared to the same period of 2010 (-6.9%), primarily due to lower contributions from Banka Koper (-3 million euro), VUB Banka (-5 million euro), and Banca Intesa Russia and Pravex Bank (-1 million euro each), only partly offset by the increase for CIB Bank (+6 million euro).
Operating costs came to 860 million euro, slightly up (+0.9%) on the first nine months of the previous year. As a result of the above revenue and cost trends, the operating margin was up 9.2% to 924 million euro. Income before tax from continuing operations of 470 million euro showed an increase of 7.6%, despite higher net adjustments to loans, which were up from 412 million euro to 455 million euro. The Division closed the first nine months of 2011 with net income of 344 million euro (377 million euro excluding the impact of extraordinary taxes in Hungary), up 6.2% compared to the same period of 2010.
On a quarterly basis, the third quarter of 2011 reported an operating margin up 1.7% on the second quarter, mainly due to lower costs (-2.3%), while revenues were stable. Income before tax from continuing operations and net income were both up (+5.9% and +2.2%, respectively).
Capital allocated, which represents 10% of the Group's total, fell slightly to 2,378 million euro. Annualised ROE rose to 19.3% from 18% in the first nine months of 2010, as a result of the performance of net income and capital described above. Value creation, expressed in terms of EVA®, came to 110 million euro compared to 103 million euro in the same period of the previous year.
The Division's intermediated volumes were up compared to the end of December 2010 (+1.6%). This trend was the result of good performance for both direct customer deposits (+2.6%), attributable to the increase in amounts due to customers and the growth in securities transactions, and for loans to customers (+0.7%).

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	1,706 branches in 12 countries

South-Eastern Europe

In the first nine months of 2011, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 395 million euro (+13.5% compared to the same period of the previous year) mainly due to the increase in net interest income and net fee and commission income. Operating costs remained substantially stable at 176 million euro. These results generated an operating margin of 219 million euro, up 27.3% on the first nine months of 2010. Net income, amounting to 126 million euro, was up 19.3%.

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 117 million euro, up 14.6% compared to the first nine months of 2010. Operating income increased by 15.1%, mainly due to the performance of net interest income (+16.1%), which benefited from the growth in the average volumes and the spread, and of net fee and commission income (+7.5%) and profits on trading (+11.3%). Operating costs were up 16%, primarily owing to the increase in administrative expenses associated with the installation of the new data centre and advertising costs, as well as personnel expenses. Net income amounted to 70 million euro, compared to 55 million euro for the same period in the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first nine months of 2011 with an operating margin of 10 million euro, up 29.2% compared to the same period in 2010. This performance was attributable to the increase in revenues (+12.8%) and, in particular, in net interest income (+11.8%), due to the lower cost of funding and the growth in average volumes, and in net fee and commission income (+17.9%). Operating costs rose by 3.6% in the personnel and administrative expenses component. Net income rose to 4.9 million euro, up compared to 2.6 million in the first nine months of 2010.

Intesa Sanpaolo Bank Albania posted an operating margin of 19 million euro, up 6% on the corresponding period of the previous year. All the main revenue items remained essentially stable. Operating costs fell 9%, primarily due to the decrease in administrative expenses and personnel expenses. Net income came to 13 million euro, up 10.4% on the first nine months of 2010, despite the higher adjustments to loans (+45.3%).

The companies operating in Romania (Intesa Sanpaolo Bank Romania, Banca CR Firenze Romania and ISP Leasing Romania) posted a total operating margin of 8 million euro, up 19.6% on the same period of the previous year. In detail, operating income decreased by 6.5% mainly due to the fall in net interest income (-4.6%), attributable to the higher cost of funding, and in profits on trading (-20%). The reduction in operating costs (-12.1%) was mainly due to lower administrative expenses. The companies closed the first nine months of 2011 with a loss of 17 million euro, compared to a loss of 3.8 million euro for the same period of 2010, also as a result of the higher adjustments to loans (+17 million euro).

Central-Eastern Europe

Banka Koper, including Finor Leasing, posted operating income of 75 million euro, up 6.6% on the first nine months of 2010. The increase was primarily attributable to higher net interest income and net fee and commission income, which more than offset the reduction in profits on trading. Operating costs were down slightly, as a result of savings on personnel expenses and lower amortisation and depreciation, which offset the increase in administrative expenses. Net income came to 15.5 million euro, up 4.7% on the first nine months of 2010.

The VUB Banka Group achieved an operating margin of 223 million euro, up 13.9% on the same period of 2010, benefiting from an increase in operating income (+8.6%), attributable to net interest income (+10.2%) and net fee and commission income (+2.9%), which more than offset the growth in operating costs (+2.1%), particularly administrative and personnel expenses. Net income, amounting to 136 million euro, increased 28.5% on the same period of 2010, benefiting from the reduction in net adjustments to loans (-17.2%).

The CIB Bank Group recorded operating income of 319 million euro, down 8.9% on the same period of 2010. This performance was attributable to the decreases in net interest income (-12.8%) and net fee and commission income (-3.4%), which absorbed the growth in profits on trading (+44.3%). Operating costs decreased by 5.5% as a result of savings on all expense items. The net result, affected by the increase in adjustments to loans, was a loss of 52 million euro, compared to a loss of 28 million euro for the first nine months of the previous year.

Commonwealth of Independent States & South Mediterranean Area

Banca Intesa Russia closed out its income statement for the first nine months of 2011 with a net income of 17 million euro compared to 9 million euro in the same period of the previous year. Operating income rose slightly (+0.4%) due to the increase in net fee and commission income (+3.1%) and the containment of other operating expenses, partially offset by the losses on trading (-18.7%) and net interest income (-0.9%). Operating costs were up 5.8%, mainly due to the amortisation charges relating to the launch of the new information technology system. Net adjustments to loans of 21.5 million euro were down 33.5% compared to the same period of 2010, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank in the first nine months of 2011 showed income of 8 million (compared to a loss of 1.6 million euro in the same period of 2010) thanks to the growth in operating income (+31.8%) and, in particular, in net interest income, which almost doubled as a result of the growth in the total spread due to the lower cost of funding. Operating costs increased 4.1% mainly due to higher amortisation charges. As a result of lower net adjustments to loans (-1.5 million euro), Pravex Bank closed the first nine months of 2011 with net income at almost break even, compared to the loss of 5.1 million euro for the same period of 2010.

Bank of Alexandria achieved an operating margin of 69 million euro, down 10.9% on the corresponding period of 2010 (net of the exchange-rate effect, the change would have been +0.3%). Operating income decreased by 3.3%, primarily due to the decline in profits (losses) on trading (-19.1%) and net fee and commission income (12.8%). Operating costs showed an increase (+3.6%) attributable to the expansion of operations. After the release of 1.5 million euro from allowances for risks and charges and net adjustments to loans of 31 million euro, up on the same period of the previous year due to the political and financial crisis in the country, net income came to 30.5 million euro compared to the 62 million euro generated in the same period of 2010.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	1	1	-	-
Dividends and profits (losses) on investments carried at equity	10	11	-1	-9.1
Net fee and commission income	186	188	-2	-1.1
Profits (Losses) on trading	1	-	1	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	3	-2	-66.7
Operating income	**199**	**203**	**-4**	**-2.0**
Personnel expenses	-39	-39	-	-
Other administrative expenses	-54	-58	-4	-6.9
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-93**	**-97**	**-4**	**-4.1**
Operating margin	**106**	**106**	**-**	**-**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-1	-1	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**106**	**105**	**1**	**1.0**
Taxes on income from continuing operations	-23	-24	-1	-4.2
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-28	-28	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-1	-1	-	-
Net income	**54**	**52**	**2**	**3.8**
Allocated capital	**66**	**69**	**-3**	**-4.3**
Profitability ratios (%)				
Cost / Income ratio	46.7	47.8	-1.1	-2.3
ROE annualised	109.4	100.8	8.6	8.6
EVA® adjusted [(a)] (millions of euro)	77	75	2	2.7

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Assets under management	134,551	136,426	-1,875	-1.4

Figures restated, where required by international accounting standards and, 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 September 2011 stood at 134.6 billion euro (net of duplications), down 1.4% since the beginning of the year, as a result of the poor performance of the financial markets which cancelled out the strong net inflows. During the first nine months, net inflows amounted to 2.5 billion euro, driven by insurance products (which benefited from the contribution 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). Conversely, mutual funds, retail asset management, hedge funds and institutional asset management generated outflows. Eurizon Capital's share of the mutual fund market was 17.3% as at 30 September 2011 (net of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio) compared to 16.2% at the end of December 2010, due to the impact of moderate net inflows that were less penalising than those for the sector nationally.
Operating income for the first nine months of 2011, amounting to 199 million euro, was down 2% on the same period of 2010. In particular there was a fall in net fee and commission income (-1.1%) and other operating income, and also in the contribution from the investee Penghua Fund Management Company, consolidated at equity (-1 million euro). In contrast, there was an increase in profits on trading, which benefited from the gains realised on investments in funds. Operating costs were down 4.1%.

As a result of the above revenue and cost trends, the operating margin came to 106 million euro, in line with the figure for the first three quarters of the previous year. Eurizon Capital closed the first nine months of 2011 with a net income of 54 million euro (82 million euro net of the effects on the income statement of the purchase price allocation) up 3.8% compared to the same period of the previous year.
On a quarterly basis, the third quarter of 2011 showed a slight decrease (-0.6%) in income before tax from continuing operations compared to the second quarter, mainly due to a fall in operating income (-5%) and, in particular, in net fee and commission income.
Capital absorbed amounted to 66 million euro, down on the amount for the first nine months of 2010. 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. The EVA® indicator, which measures value creation, amounted to 77 million euro, a slight increase compared to the figure for the same period of the previous year.

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

At the end of September the Board of Directors of Eurizon Capital SGR, following approval by the Management Board of the Parent Company Intesa Sanpaolo, approved the "International Asset Management HUB" project and the corporate transactions required for its implementation. The aim of this project is to develop asset management operations in the Eastern European market by creating a regional hub, which will act as a centre of excellence for the handling of asset management products targeted at retail and institutional customers.
With regard to significant events, in October the Bank of Italy authorised the merger by incorporation of the subsidiary Eurizon A.I. SGR into Eurizon Capital SGR, which will be completed by the end of this year.

As regards Italian mutual funds, in the third quarter of 2011 the fund "Intesa Garanzia Attiva - I semestre 2006", terminating at the end of June, was converted into the new fund "Eurizon Strategia Protetta – III trimestre 2011" to be managed by Amundi.
With regard to international mutual funds, as part of the strengthening of the joint venture Epsilon SGR established between Eurizon Capital and Banca IMI, six new sub-funds of the fund "Investment Solution by Epsilon" (capital protected funds) were launched during the quarter, to be managed by Epsilon SGR, as an addition to the three sub-funds already launched in June, with the objective of achieving growth in the capital invested whilst guaranteeing the amount subscribed.
The range of asset management products offered by Banca dei Territori was expanded from mid-July with the launch of a new line "GP Linea Cedola 12/2015" whose objective is to achieve an average return, at maturity, higher than the return of the "Barclays Euro Treasury Bond Dec 2015" index recorded on the first day of the investment period, and providing for the potential distribution of income (coupon) for each calendar year during the investment period.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	30.09.2011	30.09.2010	Changes	
			amount	%
Net interest income	100	91	9	9.9
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	426	395	31	7.8
Profits (Losses) on trading	21	24	-3	-12.5
Income from insurance business	40	50	-10	-20.0
Other operating income (expenses)	-	-5	-5	
Operating income	**587**	**555**	**32**	**5.8**
Personnel expenses	-111	-108	3	2.8
Other administrative expenses	-143	-145	-2	-1.4
Adjustments to property, equipment and intangible assets	-11	-12	-1	-8.3
Operating costs	**-265**	**-265**	**-**	**-**
Operating margin	**322**	**290**	**32**	**11.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-24	-57	-33	-57.9
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-110	5	-115	
Profits (Losses) on investments held to maturity and on other investments	7	-	7	-
Income (Loss) before tax from continuing operations	**195**	**238**	**-43**	**-18.1**
Taxes on income from continuing operations	-49	-63	-14	-22.2
Charges (net of tax) for integration and exit incentives	-4	-4	-	-
Effect of purchase price allocation (net of tax)	-70	-77	-7	-9.1
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	1	4	-3	-75
Net income	**73**	**98**	**-25**	**-25.5**
Allocated capital	**482**	**463**	**19**	**4.1**
Profitability ratios (%)				
Cost / Income ratio	45.1	47.7	-2.6	-5.5
ROE annualised	20.2	28.3	-8.1	-28.4
EVA® adjusted [(a)] (millions of euro)	108	140	-32	-22.9

(millions of euro)

	30.09.2011	31.12.2010	Changes	
			amount	%
Assets under management	51,574	53,500	-1,926	-3.6

Figures restated, where required by international accounting standards and, 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, spun-off from EurizonVita and acquired by Banca Fideuram (19.99% of the capital) on 29 July 2010. The restated figures also include the consolidation of Banca Sara, which came under Banca Fideuram, following the acquisition of total control from Sara Assicurazioni, and the deconsolidation of Fideuram Bank (Suisse), following the sale of the investment to Banca Credinvest. Both transactions were completed in June 2011.

Assets under management of the Banca Fideuram Group at the end of September 2011 amounted to 69.7 billion euro (of which 51.6 billion euro in assets under management and 18.1 billion euro in assets under administration), down 2.6% since the beginning of the year. This result was attributable to the poor performance of the markets and was only partially offset by the new assets obtained through the acquisition of Banca Sara (2 billion euro) and the net inflows for the period (1.2 billion euro). In detail, assets under management, which represent almost three quarters of the aggregate, were down 3.6%, despite the growth in the mutual fund segment. Assets under administration were essentially stable compared to the volume as at

31 December 2010 (+0.2%). In the first nine months of 2011 net inflows of assets under management, amounting to 1.2 billion euro, decreased by 426 million euro compared to the flows in the same period of the previous year which, however, included 235 million euro for the repatriation of financial assets held abroad under the "Third Tax Amnesty". The breakdown by aggregate shows that assets under management, which reported a positive balance of 411 million euro compared to 3.6 billion euro in the first nine months of 2010, were affected by the repositioning of customer portfolios towards assets under management during 2010. Assets under administration showed a positive balance of 776 million euro, compared to a negative balance of 2 billion euro in the same period of 2010.
The number of private bankers rose from 4,349 at the end of December 2010 to 4,828 as at 30 September 2011 (including the 308 professionals acquired through the purchase of Banca Sara).
The operating margin for the first nine months of 2011 came to 322 million euro, up 11% compared to the same period of 2010, driven by the growth in operating income (+5.8%), while operating costs remained stable. The revenue performance was essentially attributable to the increase in net fee and commission income (+7.8%). In particular, recurring fee and commission income, i.e. fee and commission income linked to assets under management, which is the largest component of fee and commission income, increased compared to the first nine months of the previous year owing to both the growth of average assets under management and, to a lesser extent, the increase in profitability resulting from the change in the customers' product mix. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents 8% of net fee and commission income, decreased, mainly due to the effect of lower volumes in receipt and transmission of orders, and also due to the reduction in the placement of financial and insurance products. Fee and commission expense, essentially related to incentives for the network for attracting new money, decreased compared to the first nine months of 2010 due to fewer incentives paid and allocated to the network of private bankers during the period. Among the main income captions, net interest income also increased (+9.9%), thanks to the effects of the increase in short-term interest rates on the floating-rate securities portfolio in the first part of the year, which more than offset the decrease in average volumes managed in the period. The quarterly analysis confirms the positive performance of the margin, which was the highest for the last seven quarters, with an increase of 10.5% in the third quarter over the second quarter, as a result of the better differential obtained on the cost of funding. In contrast, in the first nine months of 2011 there was a decline in the income from the insurance business of Fideuram Vita (-10 million euro) and the profits on trading (-3 million euro). Provisions for risks and charges decreased (-57.9%) mainly due to the closure of disputes with lower costs than estimated and the termination of a loyalty plan for the networks at the end of 2010. Profits on investments held to maturity and on other investments included the capital gain of 7 million euro realised on the sale of the investment in Fideuram Bank (Suisse).
In view of the worsening of the Greek sovereign debt crisis, the adjustments to other assets included the recognition of the impairment on three Greek government bonds classified in the available for sale portfolio, for a total of 107 million euro. As a result, income before tax from continuing operations came to 195 million euro compared to 238 million euro in the first nine months of 2010 (-18.1%). Banca Fideuram closed the first nine months of 2011 with a net income of 73 million euro (-25.5%), which rises to 145 million euro if the impairment of the Greek securities is excluded. Net of this negative impact, income before tax from continuing operations and net income grew considerably (+27.2% and +48%, respectively).
The capital absorbed by Banca Fideuram came to 482 million euro, a modest increase compared to the first nine months of 2010. Annualised ROE was 20.2%, representing a decrease, mainly attributable to the net income performance. EVA®, which measures value creation, was down at 108 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	98 branches in Italy with 4,828 private bankers

The initiatives undertaken by Banca Fideuram in the third quarter of 2011 were focused on expanding the offering, as a result of the introduction of innovative products consistent with the Group's strategic objectives. To carry out these initiatives, Banca Fideuram optimised internal skills of the Group, on one hand, and developed and consolidated partnerships with third party asset managers, on the other. The activity affected both the asset management and banking segments, with a view to creating value for customers through a distinctive level of service and offering.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 312 million euro over the first nine months, compared to a loss of 383 million euro for the corresponding period of the previous year. This performance was mainly due to the result from profits (losses) on trading, which benefited from the capital gains realised on the sale of the remaining 25% of the investment in Findomestic. Income before tax from continuing operations amounted to -672 million euro (-1,007 million euro in the first nine months of 2010) and included the capital gains realised on the sale of CR La Spezia and other branches to Crédit Agricole (144 million euro). The net result was an income of 121 million euro attributable to the recognition of tax benefits from the detaxation of intangible assets (1,100 million euro), which more than offset the costs for exit incentives under the Master Agreement of 29 July 2011. The figure for first nine months of 2011 compares with a net loss of 57 million euro for the same period of the previous year.

Please note that the allocation of benefits to the Corporate Centre for the tax realignment and the charges for employee exit incentives are provisional and the definitive allocation to the relevant business units will take place in the 2011 financial statements.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the management of liquidity requirements/surpluses, financial risks and settlement risks. In the third quarter of 2011, Intesa Sanpaolo maintained a leading role within the euro payments system, confirming its market share in Target2 at Italian and European levels. In particular, the ECB officially reconfirmed the Bank's status as a "critical participant" in the Target2 system also for the year 2012. The Parent Company also continued its commitment towards eliminating settlement risk in foreign exchange transactions through direct subscription to the CLS system. To this end, from August, Epsilon SGR also started settling FX transactions within the CLS as a third party of Intesa Sanpaolo.

Money markets in the third quarter of 2011 were affected by the significant deterioration of the general situation in Europe. In particular, the pressures on government securities of the peripheral eurozone countries also intensified in Spain and Italy.
In the area of monetary policy, the European Central Bank intervened in July with an increase in official rates, in order to reassert the strict approach of the Eurosystem to expectations of medium/long-term inflation, bringing the rate on refinancing transactions up from 1.25% to 1.5%. This was the second increase for the year after a long period of stability stretching back to May 2009. In order to maintain high levels of liquidity in the System, the European Central Bank also continuously confirmed the fixed-rate weekly and monthly auctions with award of the full amount and the floating-rate quarterly auctions (linked to the MRO rate), also with award of the full amount. It also added an extraordinary half yearly auction in August. In mid-September, the European Central Bank, in agreement with the Federal Reserve, also announced three extraordinary quarterly auctions in US Dollars to relieve the pressure on the dollar money market and allow the European banks a smoother passage through the year-end expiry date.
These decisions ensured a stress-free situation in terms of liquidity and the steady system-wide excess liquidity was the determining factor in keeping very short-term rates at levels slightly lower than the official rates.
Despite the excess liquidity, the interbank market experienced a further concentration of trades on very short-term maturities and a new phenomenon emerged in the money markets which, in certain stages, saw differentiations in pricing based on the nation of origin, confirming a situation in which the perception of counterparty risk is high.
The short-term interest rate curve showed a significant reduction in yields in the derivatives segment, on account of interest rate expectations that are still very low given the continued excess liquidity. In contrast, the liquidity premium in the cash curve showed yields for deposit transactions unchanged.
In the third quarter, Intesa Sanpaolo's operations continued to be concentrated entirely on short-term maturities, in line with the general market trend. At the same time there was a decrease in issues of securities accompanied by reduction in the duration of this form of funding. This affected most of the European issuers with significant declines in transactions especially in the US market.
The measures adopted by Intesa Sanpaolo to compensate for the reduction in securities included European Central Bank refinancing operations, with the partial use of the Group's eligible pooled securities, which ensured sufficient liquidity to meet current requirements.

For the securities portfolio, the third quarter of 2011 was characterised by an intensification of the European sovereign debt crisis. Spreads on Italian ten-year bonds almost doubled against German bunds in a short space of time, and then remained more or less stable at around 400 bps. Spanish bonds also saw a similar trend, whilst Portuguese and, in particular, Greek bonds moved ever closer to default levels. Not even the mass purchases by the ECB under the Securities Markets Programme (SMP), the aid programmed for the countries in most difficulty and the austerity measures approved in the summer by the governments involved were able to slow down sales in the segment, driven by considerable uncertainty about the timescales and methods for the monetary and political resolution of the crisis. In this environment, the desk concentrated on purchases in the primary market of Italian securities with up to a 5-year maturity, to increase Intesa Sanpaolo's banking book.
The widening of the spreads on sovereign debt also had a severe impact on the covered bond segment resulting in the closure of the primary market for the entire quarter, except for a short window at the end of August. Given the high level of uncertainty and illiquidity in the market, a prudent approach has been adopted with only a marginal increase in the covered bond portfolio. In the senior segment, on the other hand, a further reduction has been made to the exposure to Portuguese banks downgraded by the rating agencies.

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 the interest margin, benefiting the business units. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at the Group level. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

Funding

In the third quarter of 2011 medium- to long-term funding transactions were affected by the general situation described above with a slow pace of transactions in both the domestic and international market. In the domestic market, the total issues of Group securities placed in the quarter through its own and third-party networks was 5.9 billion euro of senior issues, 97% of which through plain vanilla bonds and 3% through structured bonds (mainly structured interest-rate securities). There was also a significant reduction in transactions in the international markets. Only 6.6 million euro of unsecured transactions were completed during the period through bond issues by international branches and subsidiaries.
In structured funding, a covered bond was issued on 29 July, under the issue programme secured by assets from the public sector originated by the subsidiary BIIS, for 2 billion euro with a 2-year maturity and a floating rate coupon. This issue, listed on the Luxembourg Stock Exchange and rated Aaa by Moody's, was fully underwritten by BIIS. In addition, under the second Covered Bond Programme secured by mortgages, the sixth and seventh series of Covered Bonds were issued in September for 2.3 billion euro and 2.25 billion euro respectively, both with a 2-year maturity and a floating rate coupon. These bonds are listed on the Luxembourg Stock Exchange and will also be used for Eurosystem refinancing. In the private placement segment, Intesa Sanpaolo also issued a third Registered Covered Bond for 210 million euro with a 5.25% fixed-rate coupon and a 16-year maturity. The bond has a rating of Aaa from Moody's and is unlisted.
On 6 October 2011 the rating of all the Covered Bonds issued under the two programmes (including the abovementioned recent issues) were downgraded by Moody's (the only rating for the two programmes) from Aaa to Aa1.

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 Control Committee and from 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 subsidiaries' Management Bodies.
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 assessment of capital is included in business reporting (Group Risks Tableau de Bord) and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee. 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 to credit risks, the Supervisory Authority granted authorisation to make the 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. The release of specific LGD models is planned for the end of 2011 and will allow transition to the AIRB approach for the product companies (Leasint and Mediofactoring). The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. An application for authorisation of direct transition to the AIRB approach was submitted in the third quarter of 2011 for Intesa Sanpaolo Bank Ireland Plc. The application for Banca IMI will be submitted in the fourth quarter.
In addition, recognition of the IRB approach for the Retail Mortgage segment was obtained in June 2010. The request for authorisation to extend the scope of application of the IRB approach to the network banks of the former Casse del Centro will be submitted during the fourth quarter 2011.
An application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the first half of 2012.
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 Approaches (internal model) to determine the associated capital requirement on an initial scope that included 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 the 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) or Basic Indicator Approach (BIA), 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 2011 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 "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
– achieving the goal of sustainable growth 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.
Within the Group, in accordance with preset rules, positions to which the synthetic risk indicator attributes a persistent high-risk rating are intercepted (manually or automatically) and included in a unique operational category based on their risk profile. In accordance with the Supervisory Authority instructions, they are classified in the following categories: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

(millions of euro)

	30.09.2011			31.12.2010			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	23,295	-14,968	8,327	20,666	-13,272	7,394	933
Substandard loans	11,698	-2,429	9,269	11,337	-2,371	8,966	303
Restructured loans	3,791	-325	3,466	3,637	-299	3,338	128
Past due loans	1,295	-146	1,149	1,694	-154	1,540	-391
Non-performing loans	**40,079**	**-17,868**	**22,211**	**37,334**	**-16,096**	**21,238**	**973**
Performing loans	342,916	-2,407	340,509	342,062	-2,495	339,567	942
Performing loans represented by securities	19,188	-716	18,472	18,504	-482	18,022	450
Loans to customers	**402,183**	**-20,991**	**381,192**	**397,900**	**-19,073**	**378,827**	**2,365**

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

The above table indicates an increase in non-performing loans during the first nine months of 2011, net of adjustments of 973 million euro (+4.6%), compared to the end of the prior year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 5.6% to 5.8%. Coverage of non-performing loans came to approximately 45%, a level higher than that recorded at the end of 2010 (43%) and deemed adequate to account for expected losses, considering the guarantees that secure the positions.
In particular, as at 30 September 2011, doubtful loans net of adjustments totalled 8,327 million euro, with a 933 million euro rise (+12.6%) from the beginning of the year; the incidence on total loans to customers was 2.2%, with a coverage ratio of more than 64%.
Compared to 31 December 2010, substandard loans underwent a more moderate increase (+3.4%) than doubtful loans, totalling 9,269 million euro. The incidence of substandard loans on total loans to customers was 2.4%, and the coverage ratio, adequate against the risk intrinsic to this portfolio, was 21%.
Restructured loans, totalling 3,466 million euro, increased 3.8% from the beginning of the year, while the coverage ratio increased to 8.6% from 8.2% at the end of 2010. Past due loans amounted to 1,149 million euro, down by 25% compared to the end of December and showing a coverage ratio of 11%.
Performing exposures increased from 340 billion euro to 341 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.7% of the gross exposure to customers, a value that is essentially unchanged compared to the figure recorded at the end of 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 3% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo, (iv) position risk on dividend derivatives, (v) position risk on commodities for Banca IMI, the only legal entity in 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 third quarter of 2011, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the averages for the second quarter of 2011. The average VaR for the period totalled 66.7 million euro.

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

(millions of euro)

	2011					2010			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	21,4	16.0	26,5	15,3	18,7	22,3	27,6	27,0	19,5
Banca IMI	45,3	21,4	56,5	21,1	17,4	14,5	15,8	13,9	11,7
Total	**66,7**	**38,2**	**82,3**	**36,4**	**36,1**	**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.

During the first nine months of 2011, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the values for 2010. The average VaR for 2011 totalled 46.6 million euro.

(millions of euro)

	2011			2010		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Intesa Sanpaolo	18,5	14,0	26,5	24,7	17,7	32,2
Banca IMI	28,1	13,6	56,5	13,8	8,9	19,5
Total	**46,6**	**30,8**	**82,3**	**38,5**	**27,6**	**49,9**

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

For Intesa Sanpaolo the breakdown of risk profile in the third quarter of 2011 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 41% of total VaR; for Banca IMI credit spread risk was the most significant, representing 76% of total VaR.

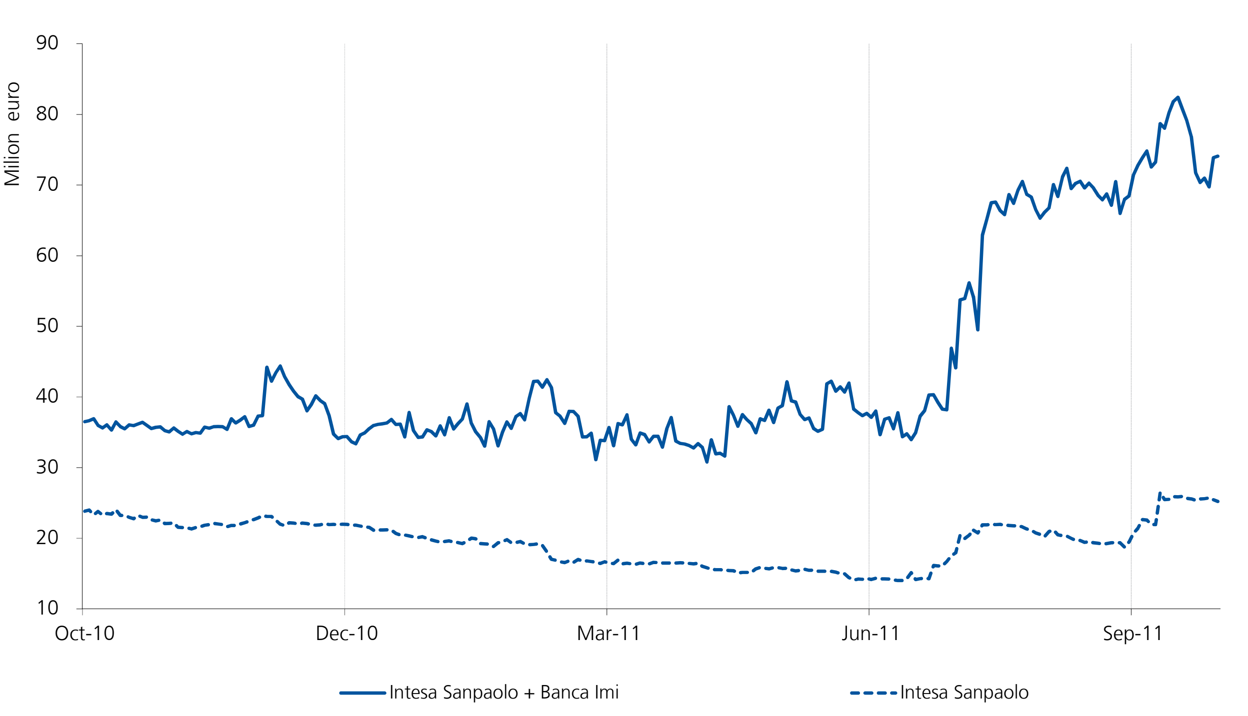
Contribution of risk factors to overall VaR (a)

3rd quarter 2011	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	0%	41%	11%	36%	3%	9%	0%
Banca IMI	6%	0%	7%	76%	1%	6%	4%
Total	**4%**	**13%**	**9%**	**63%**	**1%**	**7%**	**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 half 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. VaR increased during the course of third quarter 2011. Performance was impacted by the increase in the volatility of spreads in the Italian government sector and, particularly for Banca IMI, by purchases made in this sector in order to take advantage of market opportunities.

Daily evolution of market risks - VaR



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 September is summarised as follows:

– on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 4 million euro loss;
– on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 17 million euro loss, whereas a parallel -25 basis point shift would have led to a 15 million euro gain;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 85 million euro loss, 6 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 86 million euro gain, 6 million euro of which due to SCPs;
– on foreign exchange exposures (main position on Euro/USD), the portfolio would have recorded a 9 million euro gain in the event of exchange depreciation (-10%). The negative effect in case of foreign exchange appreciation (+10%) would have been 8 million euro;
– lastly, on commodity exposures a 5 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	-4	4	15	-17	86	-85	9	-8	-5	5
of which SCP					6	-6				

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 (micro cash flow hedge).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first nine 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 269 million euro settling at 477 million euro at the end of September, 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 255 million euro (-227 million euro in the event of reduction) at the end of September 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 93 million euro in the first nine months of 2011 (98 million euro at the end of 2010) and reached a value of 131 million euro at the end of September, with a peak value of 142 million euro and a minimum value 67 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 85 million euro (86 million euro at the end of 2010) in the first nine months of 2011, with minimum and peak values of 71 million euro and 101 million euro respectively, which is also the value at the end of September.
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 -64 million euro at the end of September 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 the valuator (Mark-to-Model).

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

[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.

- 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:
  - o reference categories are established for the various types of market parameters;
  - o the reference requirements governing the identification of official revaluation sources are set;
  - o the fixing conditions of official figures are established;
  - o 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 model in order to discover any gaps promptly and start the necessary verifications and interventions.

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

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

Fair value hierarchy

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

(millions of euro)

Financial assets / liabilities at fair value	30.09.2011			31.12.2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	15,360	53,319	1,255	24,683	45,791	1,471
2. Financial assets designated at fair value through profit or loss	28,882	6,071	259	28,746	6,576	228
3. Financial assets available for sale	63,687	5,580	1,683	54,309	5,655	1,871
4. Hedging derivatives	-	9,057	1	-	7,370	3
Total	**107,929**	**74,027**	**3,198**	**107,738**	**65,392**	**3,573**
1. Financial liabilities held for trading	4,312	48,789	851	4,015	40,214	815
2. Financial liabilities designated at fair value through profit or loss	3,757	19,801	-	3,722	22,422	-
3. Hedging derivatives	-	8,037	5	-	5,888	-
Total	**8,069**	**76,627**	**856**	**7,737**	**68,524**	**815**

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

As shown, 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 slightly down on those at 2010 year end. Conversely, approximately 60% of the financial assets measured at fair value are determined based on market prices (no discretion).
The increase in level 1 financial assets available for sale was attributable to the purchase of quoted bonds, offset by the reduction in financial assets held for trading and in line with reallocation of the securities portfolio, particularly with respect to sovereign issuers.
The level 2 financial assets held for trading showed an increase predominantly linked to the change in fair values, both positive and negative, of derivatives, resulting from changes in the market parameters impacting the underlying instruments of these contracts. The increase in "Hedging derivatives" under both assets and liabilities was due to growth in the notional amounts of the derivatives linked to these transactions.

The sensitivity analysis of level 3 financial assets and liabilities shows a 21 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 nine months of 2011, the total risk exposure to structured credit products fell considerably following the repayment of certain assets held in portfolio. This drop can be ascribed to the portfolio management strategy focused 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 underlying, particularly assets originated in Italy. However, third quarter 2011 showed a decline in the contribution to profit/loss, predominantly due to increased provisions on a position with respect to a monoline. The impact on the income statement dropped from +45 million euro as at 30 June 2011 to +26 million euro as at 30 September 2011, for a 19 million euro decline in contribution.

The overall risk exposure of structured credit products decreased from 3,715 million euro as at 31 December 2010 to 2,834 million euro as at 30 September 2011, in addition to an exposure of 33 million euro in connection with structured packages (87 million euro as at 31 December 2010). The considerable decrease in exposure in the first nine months of 2011 is due to the total/partial repayment of assets held in portfolio. In particular, the first nine months of 2011 saw the settlement of two unfunded positions included in the "Other structured credit products – unfunded Super Senior CDOs" aggregate for a notional value of approximately 500 million euro and the reduction of several funded positions included in the loans portfolio due to amortization.

As at 30 September 2011, 12% of the outstanding positions was affected by a reduction in creditworthiness. The increase over the 4% as at 31 December 2010 can be attributed to unfunded positions originated in the United States, in addition to the third quarter increase in downgrades of funded positions originated in Europe. The situation of the structured credit product portfolio at the end of the first nine months of 2011 is described by the following indicators:

- 73% of exposure was Investment Grade, compared to 80% as at 31 December 2010: this decrease is due to the closure of unfunded positions with an AA/A rating, in addition to the progressive deterioration of the portfolio due to the overall performance of the market;
- 38% had an AAA rating;
- 27% had a BBB rating or less, compared to 20% as at 31 December 2010;
- 11% of the exposure had a pre-2005 vintage[3];
- 35% has a 2005 vintage;
- only 10% of the exposure related to the US Residential segment, and 20% to the US Non-Residential segment;
- the remaining exposure (70% of the total) is 66% European.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (27%) and CDOs (22%); the rest was almost entirely made up of ABSs (13%, down due to the closure of certain unfunded positions) and RMBSs (32%), with CMBSs representing 6% of the total.

As concerns valuation methods, of "long" positions, approximately 38% are measured using the mark-to-model (100% of unfunded positions, 28% of funded positions, 100% of the monoline risk and the non-monoline "packages"), 53% with the comparable approach (62% of funded positions) and 9% are measured using effective market quotes (10% of funded positions). Of the "short" positions, 70% are measured using the mark-to-model (100% of unfunded positions and 100% of positions of funds) and 30% are measured using effective market quotes (100% of CMBX-CDS hedges).

In the summary tables below, table (a) illustrates risk exposure as at 30 September 2011 and income statement captions (the sum of realized charges and profits, write-downs and write-backs) for the first nine months of the year, compared with the corresponding values recorded as at 31 December 2010.

Table (b) sets out figures related to structured packages, normally made up of a 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 security hedged.

Values expressed in USD as at 31 December 2010 were translated at an exchange rate of 1.3362 euro per dollar, and as at 30 September 2011 at an exchange rate of 1.3503 euro per dollar.

[3] 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	**30.09.2011**		**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	**24**	**4**	**24**	**1**
Contagion area	**143**	**6**	**140**	**19**
- Multisector CDOs	77	-	61	-4
- Alt-A	-	-	-	-
- TruPS	66	6	79	23
- Prime CMOs	-	-	-	-
Other structured credit products	**776**	**18**	**1,298**	**40**
- European/US ABS/CDOs	626	4	607	3
- Unfunded super senior CDOs	161	8	672	26
- Other unfunded positions	-11	6	19	11
Total	**943**	**28**	**1,462**	**60**
in addition to:				
Positions of funds	-	-5	-	16
Total Financial assets held for trading	**943**	**23**	**1,462**	**76**

(millions of euro)

Loans	**30.09.2011**		**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	**66**	**-**	**89**	**-**
- Multisector CDOs	10	-	15	-
- Alt-A	37	-	49	-
- TruPS	-	-	-	-
- Prime CMOs	19	-	25	-
Other structured credit products	**1,822**	**9**	**2,161**	**7**
- Funded European/US ABS/CDOs	1,284	-4	1,253	3
- Funded super senior CDOs	521	13	777	8
- Other Romulus funded securities	17	-	131	-4
Total	**1,891**	**9**	**2,253**	**7**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,891**	**9**	**2,253**	**7**
TOTAL	**2,834**	**32**	**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)

	30.09.2011		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	12	-7	17	19
Non monoline packages	21	1	70	1
TOTAL	**33**	**-6**	**87**	**20**

From an income statement perspective, structured credit products generated a net income of +26 million euro as at 30 September 2011 compared to 103 million euro for 2010.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of +23 million euro. The profit on this segment was a result of the effects of:
– unfunded Super Senior CDO positions included in "Other structured credit products" (+8 million euro as at 30 September 2011); the profit in this segment was positive, despite a reduction in third quarter 2011, due to a widening of the spreads of European issuers;
– European and US funded ABSs/CDOs (+4 million euro) and other unfunded positions (+6 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;
– instruments included in the "Contagion area"; in particular the TruPS recorded a positive 6 million euro result and the Multisector CDO positions made a negative contribution of 5 million euro, due to the negative results of the positions in funds attributable to this sector.

The securities reclassified to the loan portfolio showed an overall impact on the income statement of 9 million euro as at 30 September 2011. This figure was made up of the following:
– 3 million euro loss from the impairment of a security included in the portfolio of the Romulus vehicle;
– 1 million euro loss from the impairment of ABSs issued by European parties;
– 13 million euro gain from the market sale of positions in reclassified debt securities, including 6 million euro attributable to the subsidiary Banca IMI and 7 million euro to the Parent Company.

As at 30 September 2011 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as "PIGS"). In particular, these consist of:
– 155 million euro in nominal value of securities issued by parties resident in Spain; as at 30 September 2011 these securities had a book value of 141 million euro and a fair value of 103 million euro;
– 38 million euro in nominal value of securities issued by parties resident in Portugal; as at 30 September 2011 these securities had a book value of 34 million euro and a fair value of 22 million euro;
– 13 million euro in nominal value of securities issued by parties resident in Greece; as at 30 September 2011 these securities had a book value of 12 million euro and a fair value of 8 million euro;
– 2 million euro in nominal value of securities issued by parties resident in Ireland; as at 30 September 2011 these securities had a book value of 1 million euro and a fair value of 1 million euro.

The "Monoline risk" and "Non-monoline packages" made a positive contribution of 6 million euro as at 30 September 2011, compared to +20 million euro recorded at the end of 2010. The heavy penalization during third quarter 2011 (-15 million) was due to worsening of the creditworthiness of the monoline counterparty, with which a protection bought credit derivative was stipulated, requiring an increase in the provision percentage.
It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 30 September 2011, the aggregate included bonds reclassified as loans, which are summarized in the tables below.

(millions of euro)

	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Fair value as at 30.09.2011	Benefit from the reclassification as at 30.09.2011	Effect on Shareholders' Equity
Reclassified securities:					
- from financial assets available for sale to loans	161	160	50		110
- from financial assets held for trading to loans	1,641	1,543	1,340	203	
Total Securities reclassified to loans	**1,802**	**1,703**	**1,390**	**203**	**110**
Securities classified under loans from inception	192	188			
Total securities classified under loans from inception	**192**	**188**			
TOTAL LOANS	**1,994**	**1,891**	**1,390**	**203**	**110**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Negative economic effect without reclassification for 2011	-14
BENEFIT FROM THE RECLASSIFICATION AS AT 30.09.2011	**-203**

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, guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company.
Changes compared to the situation reported as at 31 December 2010 included exercising of the call option on the hybrid instrument issued by IntesaBCI Preferred Capital Co. LLC for 500 million euro in July 2011.
Therefore, within the category in question, the Intesa Funding LLC vehicle is still outstanding as at 30 September 2011, while the process to cease the IntesaBCI Preferred Capital Co. LLC vehicle has been initiated.

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 funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold.
SPEs of this type, which are part of the scope of consolidation as at 30 September 2011, are the same reported in the financial statements as at 31 December 2010. With particular reference to the vehicle Adriano Finance S.r.l., note the early termination of the Series 2 self-securitisation in May 2011, completed on retrocession of the mortgage portfolio to the Parent Company Intesa Sanpaolo and full repayment of the subordinated loan granted for 50 million euro and of the Class A notes. The Class B notes were partly redeemed, given the lower value of the mortgage portfolio as at the date of settlement.

The securitised assets of vehicles in this category are represented by performing mortgages, non-performing mortgages and lease-related performing mortgages. For the Augusto, Colombo and Diocleziano vehicles the assets were made up of land financing or receivables for public works.
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 nine months 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 collateral 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.

Regarding the ISP CB Ipotecario S.r.l. vehicle, with effect from 27 June 2011 in economic terms, the Parent Company Intesa Sanpaolo sold a portfolio of residential mortgages to the vehicle at a sale price of 2,319 million euro, paid to the transferor through a subordinated loan disbursed for that amount in July.
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 nine months of the year, these securities had a nominal value of 128 million euro and were recognised in the consolidated financial statements with a book value of 122 million euro. One of these securities was subject to impairment losses, during 2011, amounting to 3 million euro, which were recognised under "Net adjustments to loans – caption 130";
– regarding the liquidity lines granted to the Romulus vehicle, a decrease in the loan facility from 294 million euro (as at 31 December 2010) to 89 million euro, bringing the amount used to a nil value; there was also a reduction in the liquidity lines granted by Intesa Sanpaolo to the Duomo vehicle, from 2,165 million euro in loan facilities at the end of December 2010 to 1,640 million euro at the end of September 2011;
– the decrease in the amount of the letter of credit granted to the vehicle by ISP from 78 million euro to 40 million euro.

The self-securitizations carried out through the vehicle SPQR II S.r.l. were closed ahead of the due date during the first nine months of 2011, through the sale to Banca Infrastrutture Innovazione e Sviluppo of the entire portfolios underlying the CBO 1 and CBO 2 securitizations and 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

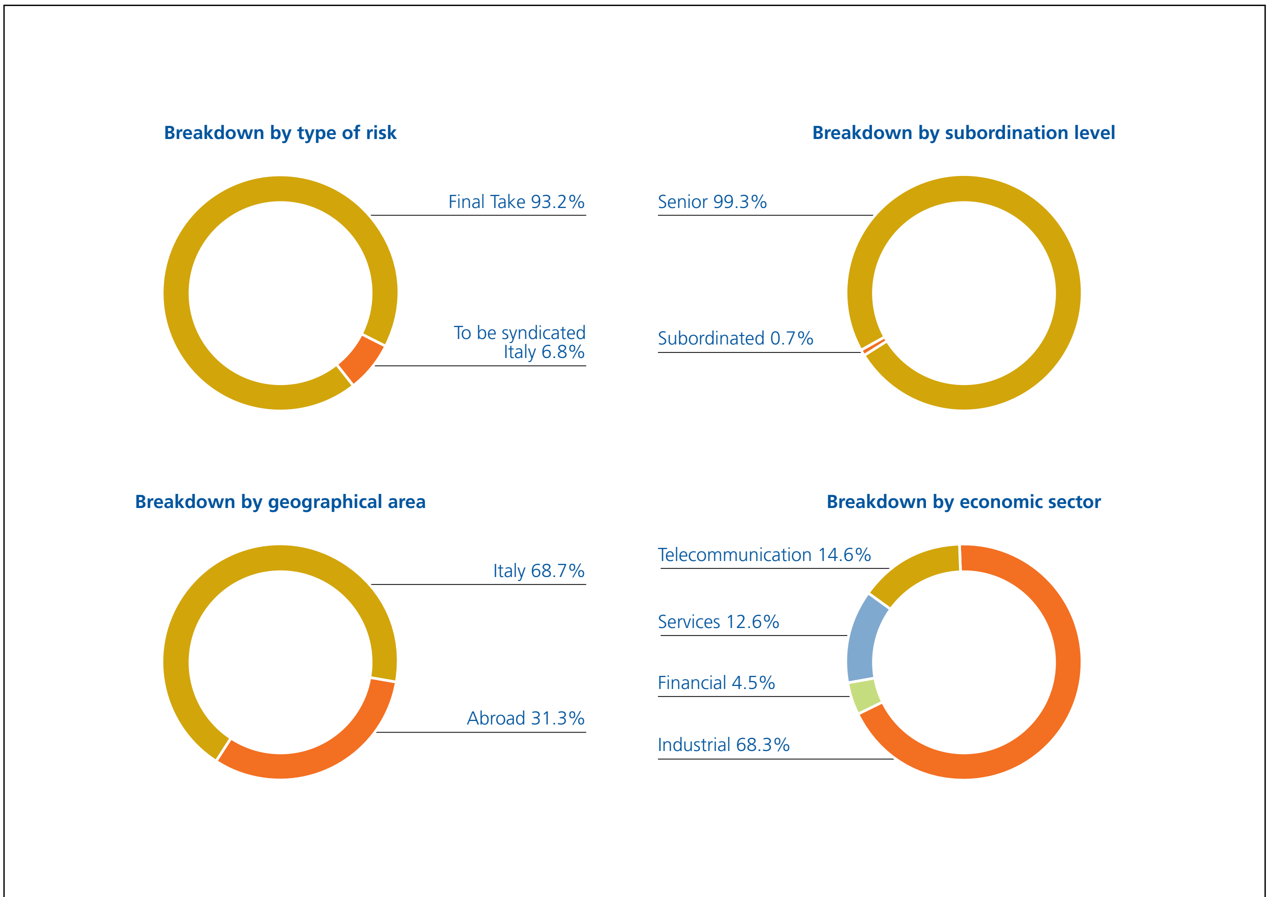
These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
As at 30 September 2011, the situation of the only vehicle of this kind controlled by Intesa Sanpaolo, Intesa Investimenti S.p.A., was exactly that described as at 31 December 2010. The Lunar Funding vehicle is still included in the scope of consolidation.

Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the Financial statements as at 31 December 2010. For the Asset Backed SPEs in which the Group has the majority of voting rights, held by just one international subsidiary, total assets fell to 45 million euro (76 million euro in December 2010). In fact, almost all the SPEs in this category were merged by incorporation into the subsidiary holding the related equity investments.
For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, 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 30 September 2011, 116 transactions for a total amount granted of 4,330 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

The hedge fund portfolio as at 30 September 2011 totalled 664 million euro, compared to the 814 million euro recorded at the end of 2010. The decrease is partly due to management and valuation of the portfolio and partly to revaluation of the foreign currency positions. As at the same date, there was an overall loss of 98 million euro, compared to the 44 million euro profit recorded in the third quarter 2010 and 84 million euro profit at the end of the previous year.
The 98 million euro net loss recognised as at 30 September 2011 under "Profits (Losses) on trading – caption 80" included:

– 3 million euro in net losses for the first nine months of the year on trading of funds (including -1 million euro in the structured credit products disclosure);
– 96 million euro from net write-downs of positions outstanding at the end of September 2011 (including -4 million euro in the structured credit products disclosure);
– 1 million euro from other net income.

Net capital losses on the final residual amount (-96 million euro) were spread across 47 positions, 19 of which with capital gains (8 million euro) and 28 with capital losses (-104 million euro).
The figures for the end of September should be considered in light of the negative contingent economic scenario, which arose during the first half of the year and worsened during third quarter, resulting in further weakening, especially in the financial and energy sectors, which until the end of last year had recorded excellent performances. In fact, a comparison of the results for this quarter with those for the same period in 2010 shows that the negative portfolio performance is mainly attributable to the positions that had invested in the aforementioned sectors and which have suffered strong capital losses.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 September 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, not having applied netting agreements, of 3,816 million euro (3,268 million euro as at 31 December 2010). The notional value of such derivatives totaled 55,134 million euro (45,875 million euro as at 31 December 2010). Please note that the fair value of contracts outstanding with the 10 customers with the highest exposures was 1,546 million euro (1,472 million euro as at 31 December 2010).

Conversely, the negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totaled 1,050 million euro as at 30 September 2011 (552 million as at 31 December 2010). The notional value of such derivatives totaled 18,638 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 30 September 2011, this led to a negative effect of 55 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 Approaches (AMA – internal model) to determine capital requirements for operational risk on an initial scope that included the Organisational Units, 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 the 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) or Basic Indicator Approach (BIA), 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 2,180 million euro as at 30 September 2011 (2,174 million euro as at 31 December 2010).

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 first nine months of 2011, 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 and labour litigation.

Tax litigation

The Notes to the 2010 consolidated financial statements (Part E) provide extensive information on pending tax litigation and the related risks and provisions. On that occasion, particular reference was made to the assessment notice served upon Intesa Sanpaolo regarding the 2005 tax year, amongst other things including the alleged "misuse of a right" on structured financing transactions involving the shares of companies listed in Italy, amounting to a total of 377 million euro in IRES, IRAP, withholding tax, penalties and interest. The Bank appealed against this demand before the relevant Provincial Tax Committee.
Furthermore, the Explanatory notes to the Half-yearly Report as at 30 June 2011 indicated that:
1) in May of this year the Tax Police of the Milan Guardia di Finanza began a tax inspection into Intesa Sanpaolo with regard to any transactions of this kind executed in 2006 and later years (this inspection is still in progress) and
2) during the first half of 2011 the same Tax Police squad issued reports of findings against Intesa Sanpaolo and other companies in (or formerly of) the Group in relation to transactions under repurchase agreement in foreign bonds completed in the period 2006 to 2009, which generated credits for taxes prepaid in other countries and which the inspectors believe were not due as a result of alleged misuse of a right. The tax benefit challenged totals approximately 119 million euro, of which 72 million euro for Intesa Sanpaolo and 47 million euro referring to other companies in (or formerly of) the Group and for which the Bank has issued waiver of liability in the related disposal documents.
No specific provision has been allocated in relation to the tax demands as the expected result of any litigation that might arise is currently viewed as positive.
No significant charges were made against the Group after 30 June 2011.

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 (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Eurizon Vita, 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 30 September 2011, the investment portfolios of Group companies, recorded at book value, amounted to 76,662 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 44,336 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 32,326 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, 93.8% of assets, i.e. approximately 41,821 million euro, were bonds, while assets subject to equity risk represented 1.9% of the total and amounted to 821 million euro. The remaining part (1,934 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.3%).
The carrying value of derivatives came to approximately -240 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[4] only amounting to around -17 million euro.
At the end of the first nine months of 2011, investments of Intesa Sanpaolo Vita, Eurizon Vita, Sud Polo Vita, CentroVita and Fideuram Vita free capital amounted to approximately 2,365 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to approximately 77 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.2 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 6.2 years. The related portfolios of assets have a modified duration of around 4.8 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 2,039 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 115 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 79.1% of total investments and single A bonds approximately 9.6%. Low investment grade securities (BBB) were approximately 3.9% of the total and the portion of speculative grade or unrated was minimal (approximately 1.2%).

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

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 71.8% of the total investments, while financial companies (mostly banks) contributed almost 17.8% of exposure and industrial securities made up approximately 4.2%.
As at the end of the third 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 2,269 million euro, 1,855 million euro due to government issuers and 414 million euro to corporate issuers (financial and industrial companies).

ACCOUNTING POLICIES

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 30 September 2011" has been prepared, in consolidated form, in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.

The accounting principles adopted in preparation of the Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2010, to which reference should be made for further details.

The Consolidated Interim Statement was not subject to auditor review and comprises the condensed Balance sheet and Income statement, accompanied by Explanatory notes to the report on operations. It is prepared in euro as the operating currency. The amounts indicated in the Financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.

The financial statements are presented in condensed/reclassified format, based on the most appropriate presentation criteria for the captions according to standard operating principles. For the Income statement, the content of captions refers to Bank of Italy instructions laid down in Circular 262/2005, including aggregations/reclassifications as follows:

- net interest includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future flows; the time value of employee termination indemnities and provisions for risks and charges;
- profits (losses) on trading records: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
- the contribution from insurance companies to net income is traditionally recorded in the specific caption "Income from insurance business" rather than line by line. For the insured parties' portion the adjustment effect 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;
- administrative expenses are stated net of recoveries of expenses, taxes and duties from customers; direct taxes, based on the entity's taxable capacity rather than calculated on the basis of parameters other than current taxable income, have been reclassified to Taxes on income from continuing operations;
- net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
- net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets. In addition, impairment losses on Greek government and other public entities bonds were recognised to this caption, regardless of their balance sheet classification (Financial assets available for sale or loans);
- profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on disposal of investments; conversely net income from investments carried at equity is recorded in a specific caption of net operating income along with dividends;
- charges for integration and exit incentives are recorded in a specific caption net of the tax effect;
- the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption.

For the Balance sheet, in compliance with Circular 262/2005, aggregation has been performed in certain circumstances, i.e.:

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

With regard to discontinued operations, in the Interim statement as at 30 September 2011, several real-estate units due for imminent disposal were classified separately under non-current assets held for sale and discontinued operations.

As customary, in the interest of a consistent basis of comparison, balance sheet and income statement figures for 2010 and for the previous quarters of 2011 have been restated, where necessary, to account for the changes in the scope of consolidation.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated interim statement includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors dissimilar to that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Compared to the situation as at 31 December 2010, the most significant changes are represented by the exclusion of Cassa di Risparmio della Spezia (sold to Crédit Agricole) and Fideuram Bank Suisse (sold to Banca Credinvest) and the inclusion of Banca Sara and Banca Monte Parma.

On 26 July Intesa Sanpaolo finalised the acquisition of 51.0% and 9.8% of shares of Banca Monte Parma, from Fondazione Monte Parma and Banca Sella Group (Banca Sella Holding, CBA Vita and HDI Assicurazioni) respectively, with a provisional total outlay of approximately 158 million euro. According to the agreements, this price shall be subject to adjustment, upwards or downwards, based on the amount of the bank's gross income and shareholders' equity at the date of execution of the agreement. Following the purchase of the shares, Intesa Sanpaolo holds 60.8% of shares of Banca Monte Parma. By virtue of an additional, parallel transaction between the remaining shareholders, Fondazione Monte Parma holds 21.0% of shares, Fondazione Piacenza e Vigevano holds 15.2%, Compagnia Generale e Immobiliare holds 2.5%, and Others hold 0.5%. There is also a put & call agreement in place with Fondazione Monte di Parma on 3.25% of the bank's capital, to be exercised at the proportional price paid for the majority stake.
According to the initial results for 31 July 2011, the shareholders' equity amounted to around 60 million euro with a pro-rata portion of 39 million euro for Intesa Sanpaolo, in line with the figures for 30 June 2011.
As permitted by IFRS 3, the purchase price will be definitively allocated within 12 months from the purchase date.
According to the contractual agreements, Intesa Sanpaolo is committed to subscribe, on a proportional basis, including any unopted shares, a share capital increase of 120 million euro (divided into two tranches of 75 million euro and 45 million euro) resolved by the bank on 13 December 2010.
As at 30 June 2011, Banca Monte Parma direct customer deposits amounted to about 2.1 billion euro, its indirect customer deposits to around 2.5 billion euro and customer loans to approximately 2.6 billion euro.
Finalisation of the transaction generated a negative impact on the Group's Core Tier 1 ratio of about 12 basis points.

In 2011, Intesa Sanpaolo acquired the majority of shares in Banco Emiliano Romagnolo, a mono-branch bank based in Bologna, under extraordinary administration. As at 30 September 2011 – even though the conditions for control had been met – the company was consolidated at equity, as it had been as at 30 June, due to the absence of the final financial statements for the special administration, currently being prepared by the special administrators.

Certain extraordinary intragroup transactions were carried out in the first nine months of 2011, which as such had no effects on the consolidated figures. These transactions consisted in the merger by incorporation of companies in the CIB Group and the partial de-merger of Moneta through assignment to Intesa Sanpaolo of 100% of the investment in Setefi. 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 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 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 30 September 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 always in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

Other information

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

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

The Management Board

Milano, 08 November 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 30 September 2011 corresponds to corporate records, books and accounts.

Milano, 8 November 2011

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

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PREPRESS AND PRINTING: AGEMA CORPORATION – ITALIA

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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.

Technogym S.p.A.,Gambettola (FC).

Students in the Villa Amoretti Public Library, Torino.

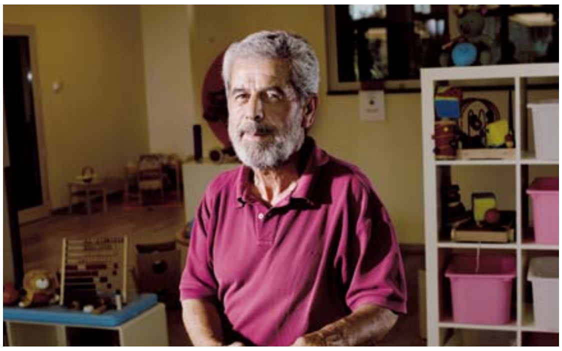
I Leprotti, Abbiategrasso (MI).

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