INTESA SANPAOLO

Interim statement as at 30 September 2012

This is an English translation of the Italian original "Resoconto intermedio al 30 settembre 2012" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.
This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.
Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.
All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Interim Statement as at 30 September 2012

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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THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

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

Banca FIDEURAM | BANCA IMI | BIIS BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO | BANCA MONTE PARMA

BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ | BANCO DI NAPOLI | CASSA DEI RISPARMI DI FORLÌ E DELLA ROMAGNA | CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA

CASSA DI RISPARMIO DEL VENETO | CASSA DI RISPARMIO DI VENEZIA | CARISBO | INTESA SANPAOLO PRIVATE BANKING

MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
1,636	Intesa Sanpaolo Private Banking	59
	Banca Fideuram	38
	Banca Prossima	22
	Banca CR Firenze	7
	BIIS	4
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
17	CR del Veneto	427
	CR in Bologna	211
	CR del Friuli Venezia Giulia	133
	CR Venezia	114
	CR di Forlì e della Romagna	112
	Banca di Trento e Bolzano	84
	Banca Monte Parma	72
	Intesa Sanpaolo Private Banking	38
	Banca CR Firenze	33
	Banca Fideuram	22
	Banca Prossima	13
	BIIS	3
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
341	Banca CR Firenze	723
	Banca dell'Adriatico	81
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	8
	Banco di Napoli	3
	BIIS	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
5	Banco di Napoli	730
	Banca dell'Adriatico	112
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	16
	Banca CR Firenze	12
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
186	Banca di Credito Sardo	97
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	BIIS	2
	Mediocredito Italiano	1

Figures as at 30 September 2012

Product Companies

INTESA SANPAOLO VITA

Bancassurance

INTESA SANPAOLO PREVIDENZA

Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

MONETA | NEOS FINANCE

Consumer Credit

SETEFI

Electronic Payments

LEASINT

Leasing

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

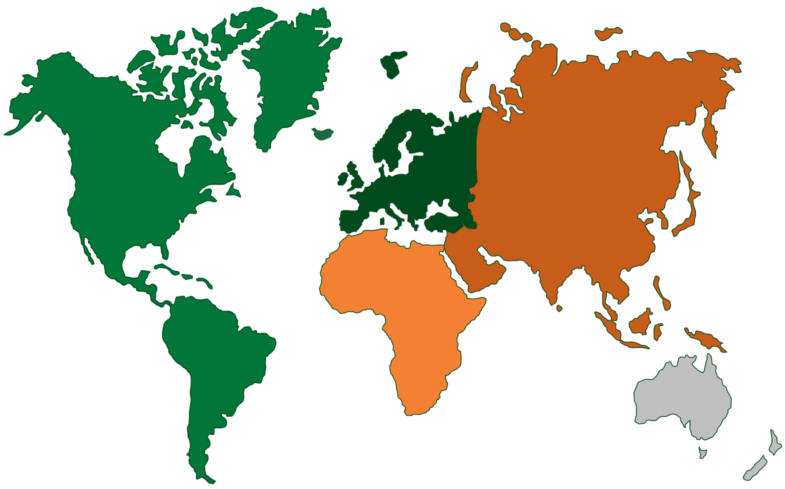
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul
	Tehran[3]

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	214
Czech Republic	VUB Banka	1
Hungary	CIB Bank	119
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	87
Russian Federation	Banca Intesa	76
Serbia	Banca Intesa Beograd	201
Slovakia	VUB Banka	243
Slovenia	Banka Koper	55
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	259
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 30 September 2012
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) Suspended business

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
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Management

CIB LEASING
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 Chairperson	Mario BERTOLISSI Pietro GARIBALDI
Members	Luigi Arturo BIANCHI Gianfranco CARBONATO Rosalba CASIRAGHI Franco DALLA SEGA Jean-Paul FITOUSSI Guido GHISOLFI 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 Chairperson	Marcello SALA
Deputy Chairperson	Giovanni COSTA
Managing Director and Chief Executive Officer	Enrico Tommaso CUCCHIANI
Members	Aureliano BENEDETTI Paolo CAMPAIOLI Elio CATANIA Roberto FIRPO Emilio OTTOLENGHI

General Managers

Enrico Tommaso CUCCHIANI
Carlo MESSINA
Gaetano MICCICHÈ

Manager responsible for preparing the Company's financial reports

Ernesto RIVA

Independent Auditors

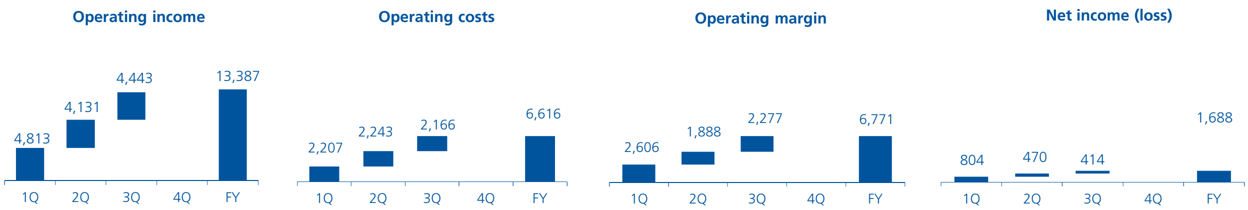
KPMG S.p.A.

OVERVIEW OF THE NINE MONTHS OF 2012

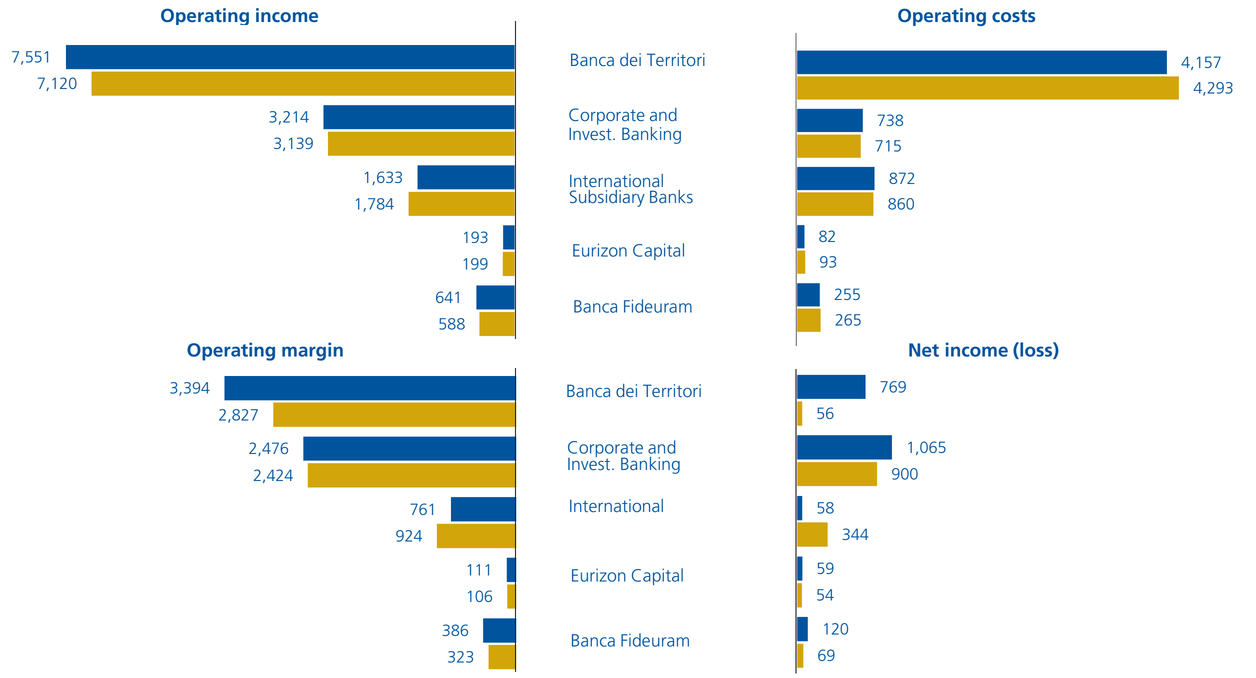
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	30.09.2012	30.09.2011	Changes amount	Changes %
Net interest income	7,249	7,239	10	0.1
Net fee and commission income	3,972	4,127	-155	-3.8
Profits (losses) on trading	1,500	747	753	
Income from insurance business	669	335	334	99.7
Operating income	13,387	12,520	867	6.9
Operating costs	-6,616	-6,771	-155	-2.3
Operating margin	6,771	5,749	1,022	17.8
Net adjustments to loans	-3,253	-2,200	1,053	47.9
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	1,688	1,929	-241	-12.5

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 in business unit constituents.

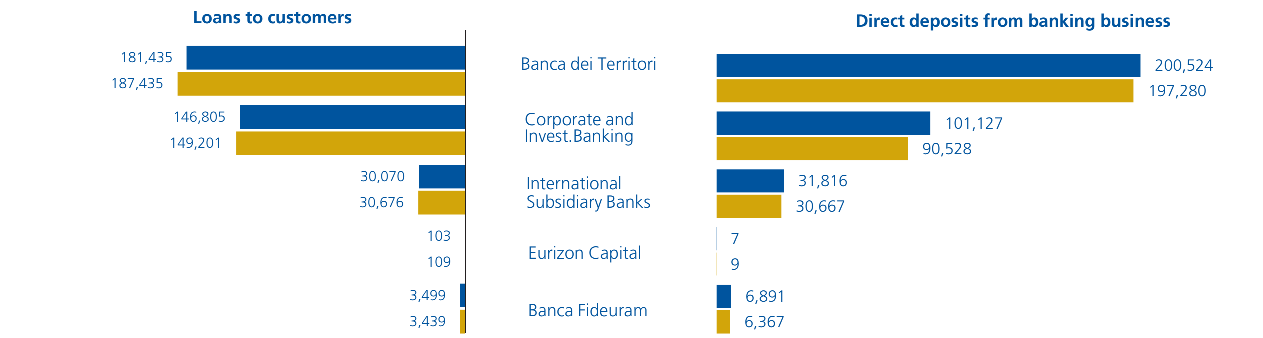
30.09.2012

30.09.2011

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.09.2012	31.12.2011	Changes amount	Changes %
Financial assets	197,121	165,614	31,507	19.0
of which: Insurance Companies	*78,297*	*73,926*	*4,371*	*5.9*
Loans to customers	374,807	376,744	-1,937	-0.5
Total assets	668,665	639,221	29,444	4.6
Direct deposits from banking business	376,426	359,991	16,435	4.6
Direct deposits from insurance business and technical reserves	79,512	73,119	6,393	8.7
Indirect deposits:	412,219	405,727	6,492	1.6
of which: Assets under management	*227,335*	*221,889*	*5,446*	*2.5*
Shareholders' equity	49,185	47,040	2,145	4.6

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



Operating structure	**30.09.2012**	**31.12.2011**	**Changes amount**
Number of employees	**97,144**	**100,118**	**-2,974**
Italy	66,885	69,162	-2,277
Abroad	30,259	30,956	-697
Number of financial advisors	**5,076**	**4,850**	**226**
Number of branches [(a)]	**7,027**	**7,246**	**-219**
Italy	5,468	5,581	-113
Abroad	1,559	1,665	-106

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.

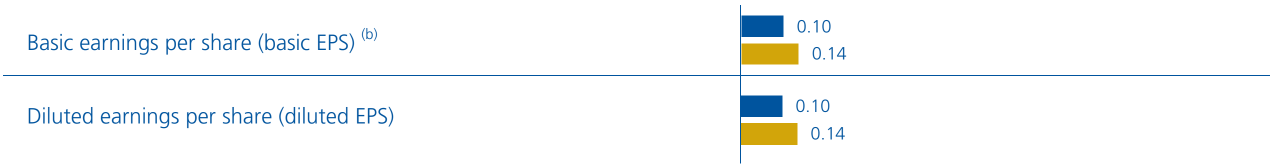
[(a)] Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

30.09.2012
31.12.2011

Other alternative performance measures

Consolidated profitability ratios (%)

Earnings per share (euro)



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] Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

Consolidated risk ratios (%)

	30.09.2012	31.12.2011
Net doubtful loans / Loans to customers	2.9	2.4
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	60.5	64.0

Consolidated capital ratios (%) [c]

	30.09.2012	31.12.2011
Tier 1 capital [d] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	11.1	10.1
Tier 1 capital [d] / Risk-weighted assets	11.9	11.5
Total capital [e] / Risk-weighted assets	14.4	14.3
Risk-weighted assets (millions of euro)	307,215	325,206

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

[c] Ratios are determined using the methodology set out in the Basel 2 Capital Accord. The figure for comparison are not restated.

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

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

30.09.2012
31.12.2011

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The global economy was again weak in the third quarter of 2012, leading most central banks to adopt new monetary stimulus measures. Economic indicators stabilised between August and September, but they still indicate a decline in production levels. The Eurozone crisis is having a negative impact on the world economic cycle. Added to this are the effects of the uncertainty on American fiscal policy, which has had negative repercussions on household spending and, above all, on business investment.
A significant improvement in the climate on financial markets was recorded in the Eurozone starting from the end of July. During the August meeting of the Governing Council, the ECB announced the launch of its programme for the conditional purchase of government bonds, known as the OMT (Outright Monetary Transactions) programme, aiming to restore uniform conditions for the implementation of monetary policy within the area. Countries undergoing support programmes, even on a precautionary basis, may benefit from this programme, which involves securities with a residual maturity of between one and three years, with no pre-established quantitative limits. Following the ECB's announcement, the markets immediately reassessed their risk evaluations of public debt in Spain and Italy. As a second major development, Germany completed its approval of the European Stability Mechanism, which became effective in October. Finally, the European Council confirmed its objective to complete the legislative procedure for implementation of a single banking supervision mechanism by the end of 2013.

Italian GDP dropped 0.8% in the second quarter, a decline that appears to have continued during the third quarter, although at a marginally lower rate. In fact, industrial production from July to September was down by only 0.1% compared to the prior period. Performance in the services sector was more depressed than the industrial sector, and surveys regarding confidence in services, although slightly up, indicated levels consistent with the new decline in economic activity. Growth in exports, which consolidated during the summer months, is insufficient to offset the sharp decline in investment and consumption. The negative performance of production impacted the unemployment level, which rose to 10.7% during the third quarter. Inflation closed the quarter at 3.2%, a slight slowdown compared to June.

In July, the European Central Bank cut official rates by 25 basis points: the deposit rate was brought to zero and the main refinancing rate was cut to 0.75%. The monthly Euribor rate saw a net decrease from 0.373% on 29 June to 0.115% on 29 September. Short-term yields on German government bonds were almost always negative, showing signs of normalisation only after the official announcement of the OMT programme by the ECB. On the Italian debt market, yields on government bonds underwent a significant decline starting from the end of July: compared to the second quarter, the auction yield on annual BOTs decreased by 228 basis points, while yields on BTPs were down 58 basis points for the ten-year maturity and 124 basis points for the three-year maturity. Concerns regarding debt refinancing gradually declined and, starting in August, the supply of government securities was more easily absorbed compared to prior months.
The euro dropped to the record low of 1.2040 dollars in the second half of July, but gradually rose again over the next two months. Since mid-September, it has fluctuated between 1.28 and 1.32 dollars. Greater stability in the Eurozone has also facilitated a modest recovery in the rate against the Swiss franc.

As far as the stock markets are concerned, the first nine months of 2012 saw high volatility in stock prices and irregular performance by the main international stock indices.
At the start of the third quarter, uncertainties on the continuation of growth in Europe, renewed fears about the public accounts in certain peripheral countries and the tensions in Greece and Spain triggered a sharp adjustment in European stock prices. The subsequent announcement of the new ECB bond-purchasing programme resulted in a significant drop in risk aversion by investors and a substantial recovery in prices. Some profit taking was subsequently triggered once again, due to renewed fears about the economy and about the performance of corporate profits.
The S&P 500 index rose 14.6% during the first nine months of 2012. Overall performance of the major European indices was positive: the Euro Stoxx 50 closed the period with an increase of 5.9%, the CAC 40 rose by 6.2% and the DAX recorded an even stronger increase (+22.3%). The Spanish stock market remained in largely negative territory, with the IBEX 35 down 10% (although this marks a recovery compared to the -17% recorded at mid-year). Outside of the Eurozone, the British market index FTSE 100 showed moderate recovery (+3.1%), while the Swiss stock market's SMI index closed the period at +9.4%. The major Asian stock markets showed contrasting performance levels: the Chinese market's SSE Composite Index ended the period down 5.2%, reflecting expectations of slower economic growth, while the Nikkei 225 index rose by 4.9%.
Performance of the Italian stock market was worse than the major European markets, except Spain, reflecting continued weakness of the domestic economy. The FTSE MIB index was essentially unvaried from the beginning of the year to the end of September, and the FTSE Italia All Share (+0.9%) showed similar performance. Stocks of the STAR segment, on the other hand, out-performed blue chips significantly: the FTSE Italia STAR index was up 11.8% at the end of the period.
The European corporate bond markets closed the first nine months of 2012 on a decidedly positive note across all segments, thanks to a general recovery in risk appetite, triggered by the aforementioned progress in the Eurozone's sovereign debt crisis.

Thanks to the market rally in August and September, the cash investment grade segment expanded its positive balance since the beginning of the year, with better performance for financial-sector securities as opposed to industrial ones, and with flattening of the creditworthiness curves.
The positive trend in the speculative segment continued into the third quarter as well, with greater recovery in the lower credit ratings (B, CCC & lower). Performance of the derivatives segment was also positive, with sharper tightening in the synthetic crossover and financial indices, particularly subordinated, and in the coverage of insolvency risk of peripheral corporate issuers.

The emerging economies and markets

After the slowdown during the first half of the year, the economic indicators of the major emerging economies showed a weakness in the cycle during the third quarter as well. The trend growth rate in industrial production of a sample comprising 85% of the emerging economies dropped to 4.5% in August 2012, from 4.8% in the first half of the year and 5.6% in the second half of 2011. This decline was due to the downturn in production in some Latin American countries (Argentina and Brazil) and in Turkey, and to the slowdown in China, where the trend rate fell to 8.9% in August 2012 from 10.3% in the first half of the year.
The overall weakening of the economy favoured a reduction in the inflation rate. For the emerging countries mentioned, the trend growth rate of prices decreased from 5.2% in December 2011 to 4.8% in the first half of 2012 and 4.6% in August. Inflation has stopped in Ukraine, thanks to the freezing of tariffs, and declined significantly in Egypt, where it dropped to 6.2% in September from 9.5% in December 2011. Conversely, inflation rose to 6.6% in Russia in September, following increases on previously blocked tariffs, 5.3% in Romania and 10.3% in Serbia.
Deterioration of the cycle resulted in the implementation of monetary easing measures in several emerging countries during the third quarter. Among the others, rates were cut in Brazil, to an aggressive extent, and in Colombia, China, the Philippines and South Africa. Easing of currency tensions in Europe permitted reductions in the benchmark rates in Turkey (from 11.5% to 10% in September and then 9.5% in October) and Hungary (recoveries in August and September for a total of 50 basis points, with the benchmark rate falling to 6.5%). Conversely, Serbian authorities were forced to intervene in order to offset the downward pressures on the currency, with an increase in rates (25 basis points in August and in September, with the benchmark rate brought up to 10.75%). The Russian Central Bank also raised rates in September (+25 basis points to 8.25%), after inflation had exceeded the target value of 6%.
Tightening of spreads in the Eurozone’s peripheral countries was accompanied by a quarterly decline in the EMBI Global (Emerging Market Bond Index) composite spread to 308 basis points at the end of September 2012, from 374 in June and 429 in December 2011. Over the last few months, the spread declined significantly in Egypt, due to the improved political climate, and in Hungary, following presentation of the fiscal plan for stabilisation of the public accounts. However, it increased in Serbia, based on concerns regarding the country's fiscal position, following freezing of the International Monetary Fund’s financial support programme, in implementation of the Stand-by Arrangement agreed upon in September 2011 between the IMF and the Serbian government.
The overall easing of tensions on the financial markets was facilitated by monetary policy interventions by the Federal Reserve and the ECB and by greater investor confidence in terms of the Eurozone's capacity to overcome the sovereign debt crisis.
On the stock markets, the MSCI (Morgan Stanley Capital International) composite index for emerging countries rose 5.1% between July and September 2012, after dropping 6.4% in the second quarter. The index rose 9.4% overall during the first nine months of 2012.
On the currency markets, the US dollar, compared to a basket of emerging currencies (the OITP - Other Important Trading Partners - index), depreciated 2% from July to September, predominantly losing against a number of Asian currencies (China, Korea and Singapore), Latin American currencies (Mexico and Chile) and the Russian rouble (-5.3%). Depreciation of the Egyptian pound and Ukraine hryvnia against the dollar was less than 1%. In Central-Eastern Europe, the euro appreciated against the currencies of Albania (+1.4%) and Romania (+1.9%), and depreciated slightly against the Croatian currency (-1.5%). The Serbian dinar interrupted its depreciation phase (-0.9% in the third quarter), stabilising its loss against the euro for the first nine months of the year at around 8%. The Hungarian forint was essentially stable (-0.2%) from July to September, but it appreciated 9.4% during the first nine months of the year.

The banking system

Rates and spreads

The improved climate on the financial markets has created the conditions for a gradual easing of bank rates, consistently with the low level achieved by monetary rates and the ECB’s reduction of official rates in July.
In terms of funding, the marginal cost of time deposits declined again in August, after increasing in June-July. Nevertheless, the cost of funding remained high on average during the summer months. In particular, the average rate on new time deposits was higher than in the previous quarter, although lower than the peak at the beginning of 2012. The rate on fixed-rate bond issues was back over 4% during the third quarter, half a percentage point higher than the second quarter average, but still significantly lower than the January 2012 high. Rates on current accounts were essentially stable, as in the second quarter. Overall, the deposit rate was still up slightly, also as a result of the increased influence of the more costly components. Given the essential stability in the average rate on the stock of bonds, the rate on total customer deposits was in line with the values recorded in the first part of 2012. A comparison over a longer period indicates that the total cost of funding remained at the highest levels of the previous three years, due to the knock-on effect of increases in 2011 and to the greater impact of the more costly components.
The gradual improvement in credit market conditions was confirmed, due to the less stringent scenario in terms of bank liquidity and to banks’ increased capitalisation levels. On the other hand, the increase in risk premium on Italian debt around the middle of the year hindered the normalisation of bank loan rates. The average rate on new loans to non-financial companies declined slightly compared to the previous quarter, impacted by the changes in the rate on new, larger transactions (over 1 million euro). The average rate on loans of up to 1 million showed a series of regular declines. Similarly, the rates on new mortgage loans to households continued their gradual decrease.

Rates on existing loans confirmed their gradual decline as well. The average rate on loans to households and non-financial companies continued to decline slightly in the third quarter, recording an average decrease of 15 basis points compared to the second quarter of 2012.
Given the stability in the cost of funding and the slight decline in rates on loans, the overall margin on lending and deposit collection activities has not stopped falling. The spread between average interest rates on loans and deposits dropped to under 2%, reaching new lows. The spread on funding, measured on short-term rates, remained in the negative figures, at values never recorded according to the available historical series, reflecting the significant reduction in Euribor rates coupled with resistance by rates on current accounts (mark-down[1] on the 1-month Euribor at an average of -0.36% in the third quarter and -0.13% in the first nine months of 2012, compared to an average of 0.69% during the same period of 2011). The mark-up[2] on the 1-month Euribor increased slightly, approaching 5% (4.96% on average for the third quarter, 10 cents higher than the prior quarter). This level of margin, at the maximum for the historical series available from 2003, reflects the transfer of the high risk premium on Italian debt to the rates applied to loans. As a result of these trends, the short-term spread remained above the values recorded up to November 2011, although continuing to decline slightly compared to the first quarter of 2012 (4.60% average in the third quarter compared to 4.82% in the first quarter of 2012 and 4.13% in the third quarter of 2011).

Loans

Lending activities continued to weaken. The decline in loans to non-financial companies recorded during the second quarter intensified during the summer. This trend was the result of a decline in both short-term loans, which saw wide fluctuations in rates, as well as medium/long-term loans. A decline in medium/long-term loans to businesses had never been observed in recent history, not even during the prior recession of 2009. The downturn recorded in 2012 indicates the extent of the decrease in demand for investment loans.
Even loans to households gradually weakened, up to an essentially stagnant position at the end of the third quarter. The breakdown in terms of types of loans to households indicates that mortgage loans are the only component that still shows slight growth, although this is also steadily slowing. As a whole, loans to households and businesses recorded a clear decline, which intensified during the summer.
The decline in bank loans reflected the fall in demand linked to the economic recession, the drop in investments, financial instability and the low confidence level of businesses and households. However, a number of the factors that determine supply improved during 2012, due to the effectiveness of measures implemented by the ECB to support bank lending and liquidity, and as a result of the capital strengthening carried out by the banks.
Credit risk remained high. Therefore, the credit market has maintained a highly prudent attitude, although within a less restrictive context compared to the months between the end of 2011 and beginning of 2012. In particular, business surveys have reported improvement in the impressions of credit access conditions compared to the tightening highlighted in the latter part of 2011.

Direct deposits

Bank funding continued to show some elements of substantial improvement, but remained weak overall. The recovery in Italian customer deposits strengthened over the summer, reaching an annual growth rate of over 5%, supported by strong household deposits.
With a steady reduction in current accounts, which appears to have eased since August, the significant success of time deposits continues. In absolute terms, the increase in time deposits has more than offset the decline in current accounts and repurchase agreements with ordinary customers.
With regard to bank bonds, the volume of existing securities continued to decline, if we exclude those held in banks' own portfolios, which include issues of government-backed securities used as collateral for refinancing operations in the Eurosystem. On the plus side, the improvement in climate on the financial markets during the third quarter has enabled a number of leading Italian banks to successfully return to the international market of institutional investors, with senior unsecured bond and covered bond issues.

Indirect deposits and asset management

With regard to assets under administration by banks, the weakening observed in the first quarter of 2012 gradually worsened after the significant recovery recorded in 2011. In particular, there was a significant slowdown in growth for debt securities held in custody for consumer households, after the high recorded at the end of 2011-beginning of 2012 (+1.1% year on year in the third quarter, from an annual change of 8.6% since the beginning of the year). In absolute terms, debt securities held in custody by banks for consumer households have continued to decline on a monthly basis since the first quarter. Securities held in custody for companies and family businesses were also impacted by the weakening trend, showing an evident decline on an annual basis during the summer months.
With regard to assets under management, net inflows for open-ended mutual funds were positive in third quarter, starting off the second half of 2012 with an opposite sign than the first. The balance of net inflows accumulated during the first nine months of the year was slightly negative. Net inflows during the third quarter were again focused on bond funds and flexible funds, while liquidity funds continued to see outflows. The positive net inflows into foreign funds more than offset the outflows from Italian funds. The total stock managed by the open-ended mutual funds industry amounted to 450 billion euro at the end of September, up 4.3% from 432 billion euro in June and 7.4% from 419 billion euro at the end of 2011.

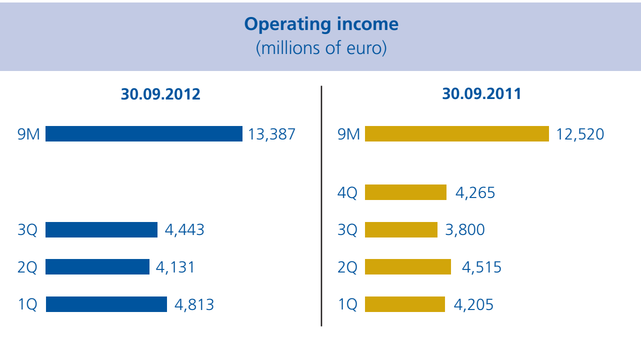
[1] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[2] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

As to the insurance sector, collected premiums for new life policies were down again in the third quarter of 2012 compared to the corresponding period in 2011. Policies with a higher financial component were down as well, after recording positive performance in the first half of the year. The reduction in inflows linked to traditional policies continued. Since the beginning of the year, business has amounted to 35.5 billion euro, down 14.9% compared to the first nine months of 2011. Policies placed by bank and post office branches again recorded a significant decline during the quarter.

Intesa Sanpaolo in the nine months of 2012

Consolidated results

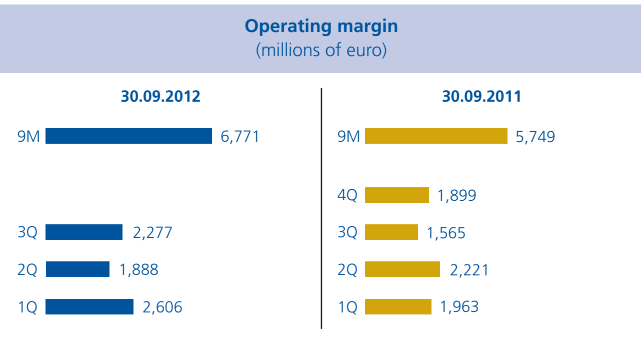
As outlined above, the economy was weak in the third quarter of 2012 as well, with monetary policy adopting new stimulus measures and Euribor rates undergoing a further decline. A significant improvement in the climate on financial markets was recorded in the Eurozone starting from the end of July. The ECB's announcement of a programme for the conditional purchase of government bonds led to a sharp downturn in the yields of Italian government bonds compared to the end of the second quarter.
Despite the continued difficult macroeconomic context, the Intesa Sanpaolo Group closed the first nine months of 2012 with positive operating results: operating income for the period, amounting to 13,387 million euro, was 6.9% higher than the first nine months of 2011. Growth in revenues and the structural cost containment measures resulted in an operating margin of 6,771 million euro, up 17.8%. Despite the greater need for adjustments to loans (about +48%) as a result of worsening loan quality, income before tax from continuing operations amounted to 3,224 million euro, up 16.5%. The downturn in net income (-12.5% to 1,688 million) is solely attributable to the different tax impact, which in 2011 had benefited from the sizeable effects (approximately 1,100 million euro) of tax realignment of goodwill recorded in the consolidated financial statements.



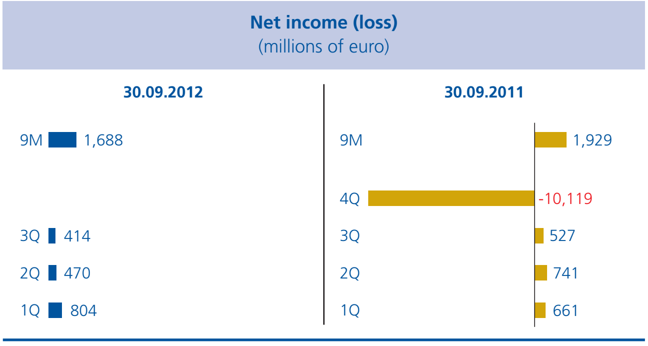
In terms of breakdown of the items of operating income, the income statement for the period showed net interest income of 7,249 million euro, slightly up overall compared to the first nine months of 2011 (+0.1%). The lower contribution of operations with customers and higher interest expense in relations with banks - mainly due to the increase in exposure towards the ECB from third quarter 2011 - were in fact offset by the higher contribution of investments in securities.
The services segment generated net fee and commission income of 3,972 million euro, down 3.8% due to the component relating to management, dealing and consultancy activities (-7%), whereas commissions for retail banking activities were up slightly (+2%).

The contribution of profits on trading, at 1,500 million euro, was more than double the amount for the first nine months of 2011, benefiting from the cautious recovery in trading activities, but mainly due to the positive effects of the Parent Company's buy back of subordinated Tier 1 notes (601 million euro in the nine months) and the sale of London Stock Exchange stake (94 million euro). Furthermore, it should be noted that the figure for the first nine months of 2011 included 426 million euro in capital gains from the disposal of investments in Prada and Findomestic.

Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, nearly doubled, increasing to 669 million euro from 335 million euro for the first nine months of the previous year, mainly due to the significant improvement in the net investment result.
As a result of the trends described above, net operating income for the period amounted to 13,387 million euro, as stated, growing 6.9%.
Operating costs, which are continually and carefully monitored and further verified in order to ensure structural cost containment, showed a decrease (-2.3% to 6,616 million euro) attributable to both personnel expenses (-1.6%) and administrative expenses (-4.4%), whilst adjustments were up slightly (+2.4%).



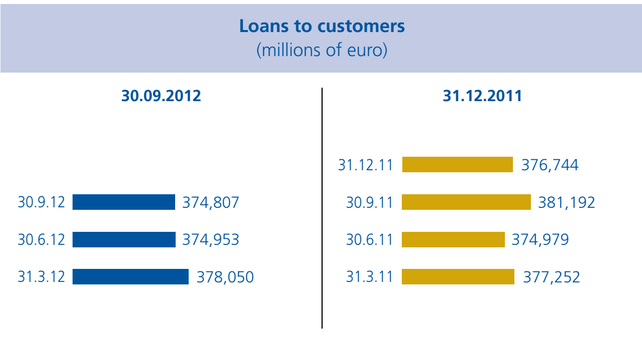
As indicated above, the operating margin came to 6,771 million euro, up 17.8%.
Adjustments and provisions for risks, as a whole, were up by about 17%, largely due to greater net adjustments to loans (3,253 million euro, around +48%), attributable to the general deterioration in credit quality as a result of the worsening economic situation, only partly offset by lower impairment losses on other assets (from 709 million to 141 million euro), which in 2011 mainly regarded the impairment required as a result of the deterioration of Greek debt.



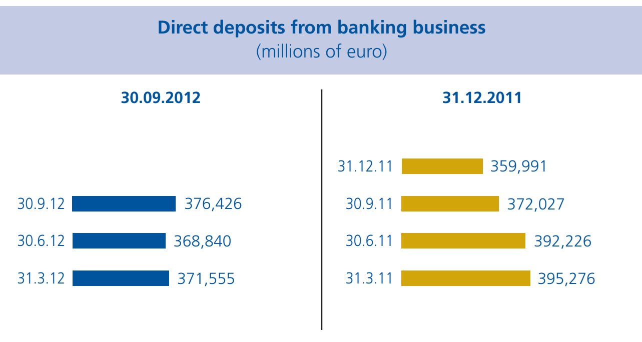
Income before tax from continuing operations was 3,224 million euro, up 16.5% over the first nine months of the prior year.
Income tax for the period (1,232 million euro in the first nine months of 2012 compared to 66 million euro in the same period of 2011) was impacted by non-recurring items in both periods. In particular, 2012 was impacted by the expected recoveries from IRAP refund applications for employment costs for the years from 2007 to 2011 (approximately 200 million euro), in relation to the possibility to deduct this tax from corporate income, as introduced by article 2, paragraph 1 of Law Decree 201/2011 and integrated by Law Decree 16/2012, no. 44. The 2011 amount, on the other hand, included the effects (approximately 1,100 million euro) of realignment of goodwill recorded in the consolidated financial statements, as permitted by Law Decree 98/2011.

After recognition of charges for integration and exit incentives of 35 million euro and the effects of purchase price allocation of 220 million euro, as well as minority interests of 49 million euro, the Group's income statement closed, as already indicated, with a net income of 1,688 million euro, down 12.1% on the first nine months of 2011, due to the aforementioned income tax items.

Comparison of the third quarter 2012 results with the second quarter shows an increase in operating income (+7.6% to 4,443 million euro) due to higher profits on trading (623 million euro compared to 161 million for the second quarter, also attributable to the Bank's repurchase of its own securities) and, to a lesser extent, to the insurance business (216 million euro compared to 195 million in the second quarter of 2012). These trends, together with the decline in operating costs in terms of both the personnel (-4.3%) as well as administrative component (-3.3%) resulted in 20.6% growth in the operating margin. These effects, accompanied by a lower need for adjustments and provisions, resulted in a 31.6% increase in income before tax from continuing operations. Net income, however, was down 11.9%, penalised by the higher tax burden and by the assignment of minority profits and losses to the relative third parties.

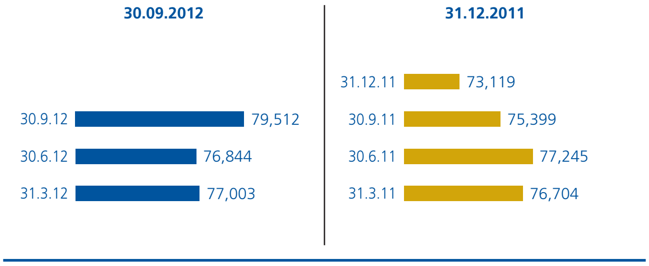


As for balance sheet figures, loans to customers totalled around 375 billion euro (-0.5% over the end of 2011). The decline in commercial banking loans (current accounts, mortgages, advances and loans), down 3.5% overall, and in loans represented by securities (-7.4%) was countered by growth in short-term financial loans. The performance of the various types of loans to customers reflected, to a significant extent, the increase in non-performing loans caused by worsening of the general economic situation, as well as past due loans, following the reduction by the Bank of Italy of the period for their classification under non-performing loans from over 180 to over 90 days, effective from 1 January 2012.



With regard to funding, direct deposits from banking business were up on the end of 2011 (+4.6% to 376 billion euro). The increase involved nearly all the deposit types that make up this aggregate. In detail, there were increases in the demand component represented by current accounts and deposits (+3.1%), bond funding (+1.3%) and certificates of deposit (approximately +28%). The reduction in the amount of subordinated funding (-17.2%) was largely attributable to the buy back of own securities. The increase in short-term financial transactions also had a significant impact on the performance of deposits.

Direct deposits from insurance business and technical reserves
(millions of euro)



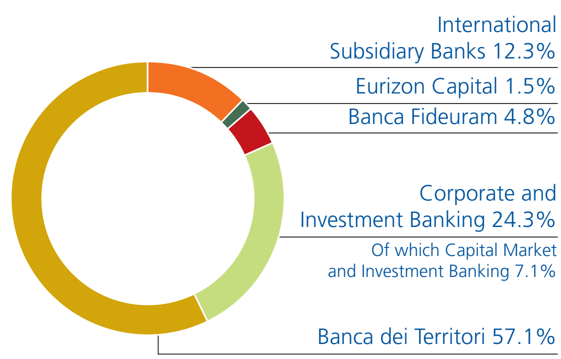
The performance of direct deposits from insurance business, which include technical reserves, was also positive (+8.7% to 80 billion euro).
The overall increase was driven by both the higher value of financial liabilities of the insurance business designated at fair value (approximately +18%), particularly unit-linked products, and the increase in technical reserves (+5.3%), which represent the amount owed to customers who have taken out traditional policies. The new business for the period for Intesa Sanpaolo Vita (the company created from the merger of Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to around 8.6 billion euro.

Indirect deposits were up compared to the end of 2011 (+1.6% to around 412 billion euro). The moderate increase in the assets under administration component (+0.6% to 185 billion euro), attributable to deposits by institutional customers, was accompanied by positive performance by assets under management (+2.5% to 227 billion euro), particularly life insurance policies and portfolio management.
The trends in the two components were positively impacted by changes in the value of assets contained in the portfolios, based on market performance during the period, which absorbed the effects of negative net inflows.

Results of the business units

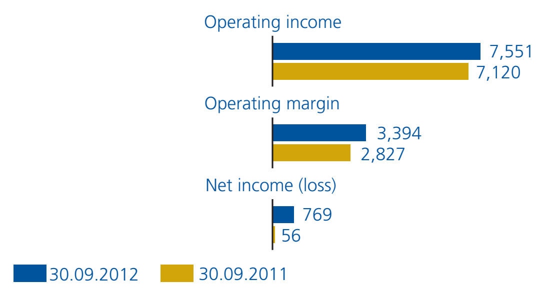
The breakdown of the contribution to operating income in the first nine months of 2012 for the Group's five business units shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 57% of operating income), although there was also a significant contribution from corporate and investment banking activities (approximately 24%) and international retail banking activities (about 12%).

Operating income:
Breakdown by business area (1)



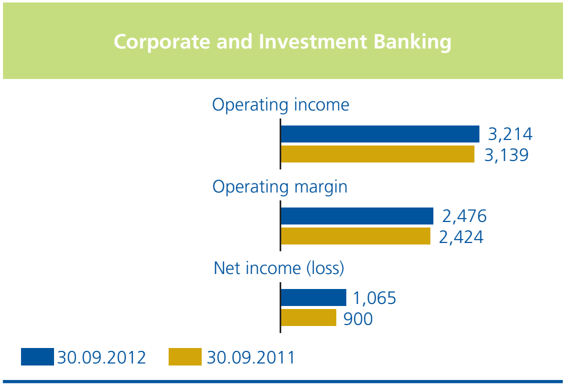
(1) Excluding Corporate Centre

Banca dei Territori

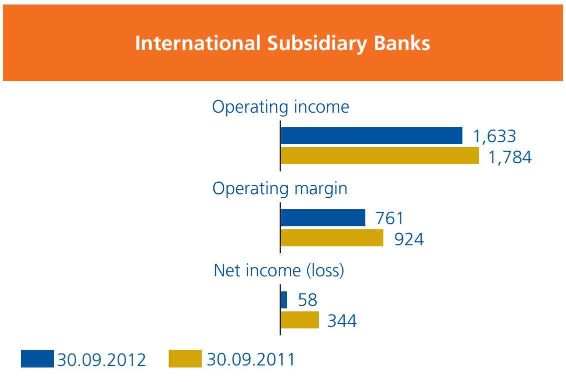


In the first nine months of 2012, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 7,551 million euro, up 6.1% compared to the same period of the previous year. The positive performance of net interest income (+3.4%), which benefited from the higher contribution of loans to customers and the effects of hedging of demand loans and deposits, and the steady contribution of net fee and commission income (+0.1%), supported by the current accounts and assets under administration segments, were accompanied by income from insurance business that almost doubled, due to improvement in the net investment result.
Following the recognition of lower operating costs (-3.2%), the operating margin rose to 3,394 million euro, up approximately

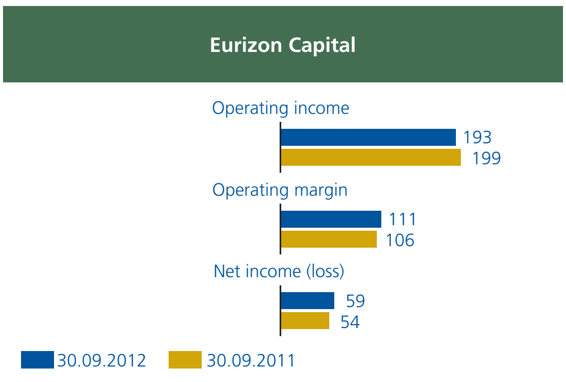
20% on the first nine months of 2011. Income before tax from continuing operations grew 24.5% to 1,521 million euro, despite higher net adjustments to loans, related to the general worsening of the economic situation. Net income, which includes adjustments for taxes of 596 million euro, charges for integration and exit incentives of 31 million euro (much lower than the 382 million euro of 2011, which included exit incentive costs) and economic effects of purchase price allocation of 125 million euro, came to 769 million euro, compared to 56 million in the first nine months of 2011.
The balance sheet figures at the end of September 2012 showed decreasing loans to customers (-3.2% to 181,435 million euro) compared to December 2011, mainly as a result of the decrease in loans to business and small business customers. On the other hand, direct deposits from banking business recorded growth (+1.6% to 200,524 million euro) that was essentially attributable to higher funding through securities, as well as direct deposits from insurance business (+4.8% to 66,518 million euro), predominantly due to technical reserves.



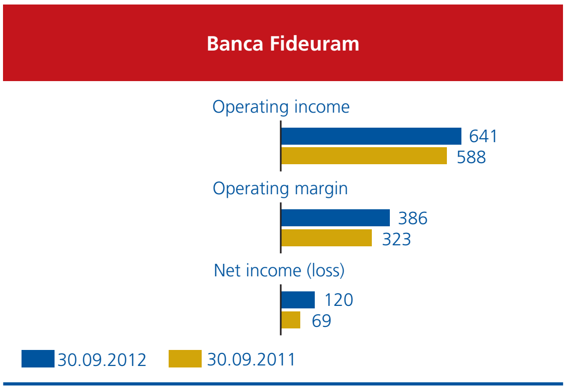
The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income of 3,214 million euro, up 2.4% on the corresponding period of 2011. The positive contribution of net interest income (+2.3%), attributable to the higher contribution of loans to customers and loans involving securities and, above all, profits on trading (approximately +22%) was only partly absorbed by the decline in net fee and commission income (-7.5%), notably in the investment banking segment. The moderate increase in operating costs (+3.2%) was mainly attributable to higher administrative expenses. As a result of these trends, the operating margin, amounting to 2,476 million euro, increased by 2.1%. Income before tax from continuing operations also increased (+6.7% to 1,536 million euro), due to lower adjustments to investments held to maturity and other assets, which absorbed the effects of higher adjustments to loans.
Net income amounted to 1,065 million euro, up 18.3%.
Balance sheet aggregates show slightly declining loans to customers (-1.6% to 146,805 million euro), related to less use of cash by large Italian and international corporate groups, while direct deposits from banking business recorded a significant increase (+11.7% to 101,127 million euro), mainly attributable to deposits by leading financial institutions, as well as to higher repurchase agreement transactions.



In the first nine months of 2012, operating income of the Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – came to 1,633 million euro, down 8.5% compared to the same period of the previous year, due to the decline in income (net interest income: -6.2%; net fee and commission income: -5.1%; profits on trading (around -49%), with a limited increase in operating costs (+1.4%). As a result of the above revenue and cost trends, the operating margin came to 761 million euro, down 17.6%. Income before tax from continuing operations, at 187 million euro, declined by approximately 60%, due to higher net adjustments to loans (+84 million euro) and other assets (+27 million). The Division closed the income statement for the period with a net income of 58 million euro, compared to 344 million euro for the first nine months of 2011.
As for the balance sheet figures, the moderate decline in loans to customers (-2% to 30,070 million euro) was offset by growth in direct deposits from banking business (+3.7% to 31,816 million euro), in terms of amounts due to customers as well as funding through securities.



The asset management segment continued to be affected by the difficult operating context. For Eurizon Capital, operating income, amounting to 193 million euro for the nine months, was down 3% on the same period of 2011, due to the lower contribution from net fee and commission income (-4.8%). The operating margin amounted to 111 million euro, up 4.7%, due to the significant decline in operating costs (-11.8%), attributable to targeted cost containment measures. Eurizon Capital closed the income statement with a net income of 59 million euro for the period, compared to 54 million euro for the first nine months of 2011. Overall, total assets managed by Eurizon Capital as at the end of September 2012 came to approximately 140 billion euro, up 6.9% from the beginning of the year as a result of market trends. However, net outflows for the period were -1.2 billion euro, due to outflows from Italian mutual funds and portfolio management schemes, only partly offset by net inflows achieved by insurance products.



For Banca Fideuram - specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential - the operating margin came to 386 million euro, significantly up (+19.5%) compared to the first nine months of the previous year. The increase in operating income (+9%) – attributable to net interest income (+13%) and, above all, to income from insurance business, which more than doubled – fully offset the drop in fees and commissions, related to new inflows. Operating costs were down 3.8%.

The higher provisions for risks and charges were more than offset by a lower need for adjustments, with income before tax from continuing operations growing nearly 47% to 286 million euro. After recognition of purchase price allocation effects of 66 million euro, Banca Fideuram closed out its income statement for the period with a net income of 120 million euro (approximately +74%). Assets under management of the Banca Fideuram Group at the end of September 2012 amounted to approximately 77 billion euro (of which 57 billion euro in assets under management and 20 billion euro in assets under administration), up 8.6% from the beginning of the year, attributable to strong performance of the asset market and, albeit to a lesser extent, to net inflows for the period.

Highlights in the third quarter

At the beginning of July, Intesa Sanpaolo's Management Board decided to proceed with the full spin-off of Banca Infrastrutture Innovazione e Sviluppo (BIIS) to Intesa Sanpaolo (credit, commercial and advisory services) and Leasint (leasing activities previously carried out by BIIS in favour of Public Administration). More specifically, BIIS' Client Relationships Department will be integrated into the Corporate and Investment Banking Division (CIB Division) through creation of the Public Finance Department and will provide financing services for infrastructural projects and for the public sector.

This decision follows the new placement of BIIS under the CIB division, aiming to pool the respective skills with a view to rationalisation and simplification in line with the changing economic scenarios. This measure, which will have no impact at the consolidated financial statement level and which will be neutral from a fiscal viewpoint, is subject to the required authorisations by the Bank of Italy and should be completed by 1 December, with retroactive accounting and tax effects as at 1 January 2012.

In terms of bond funding, after the successful placement of two senior unsecured 18-month and 5-year benchmark bonds in January and February, respectively, for a total of 2.5 billion euro, Intesa Sanpaolo launched additional issues on the Euromarket under the Euro Medium Term Notes Programme, aimed at professional investors and international financial intermediaries and designed to optimise treasury management.

The first transaction, launched at the beginning of July for 1 billion euro, was the first senior unsecured benchmark issue by a Eurozone peripheral bank after the EU summit at the end of June. It is a three-year, fixed-rate bond. Demand – of which approximately 70% (1.4 billion) from international institutional investors – was double compared to the target of 1 billion. The 4.875% coupon is payable in arrears on 10 July of each year. Considering its 99.676 offer price, the yield to maturity is 4.994% per annum. The total spread for the investor is equal to the mid swap rate + 410 basis points.

This transaction was followed by another issue for 1.25 billion euro in September, with a four-year, fixed-rate bond. Demand, of which 83% from international institutional investors, was 3.25 billion euro, 2.6 times the amount placed. The 4.125% coupon is payable in arrears on 19 September of each year. Considering its 99.592 offer price, the yield to maturity is 4.238% per annum. The total spread for the investor is equal to the mid swap rate + 345 basis points.

Finally, an issue of Covered Bonds (CB) for 1 billion euro was placed on the Euromarket in September, also aimed at international markets and at optimising treasury management. The issue consists of seven-year, fixed-rate covered bonds under the 20 billion euro Issue Programme, secured mainly by residential and commercial mortgage loans sold by Intesa Sanpaolo. Demand, of which 77% from international institutional investors, was 3.5 billion euro (3.5 times the target of 1 billion euro). The 3.75% coupon is payable in arrears on 25 September of each year. Considering its 99.372 offer price, the yield to maturity is 3.854% per annum. The total spread for the investor is equal to the mid swap rate + 245 basis points.

Placement activity continued in October with another bond issue on the Euromarket for 1.25 billion euro, under Intesa Sanpaolo’s Euro Medium Term Notes Programme, involving a seven-year, fixed-rate bond. Demand, of which 90% from international institutional investors, was 4.7 billion euro (over 3.7 times the amount placed).

The 4.375% coupon is payable in arrears on 15 October of each year. Considering its 99.481 offer price, the yield to maturity is 4.463% per annum. The total spread for the investor is equal to the mid swap rate + 315 basis points.

All of the above issues are listed on the Luxembourg Stock Exchange as well as traded over-the-counter.

The total bonds placed by the Group since the beginning of the year amounted to 6 billion euro, plus 1 billion euro in Covered Bonds.

On 18 July, Intesa Sanpaolo announced an invitation to the holders of specific subordinated and senior notes issued or guaranteed by Intesa Sanpaolo to sell said notes to Intesa Sanpaolo at the cash purchase price. This enabled the Group to optimise the structure of regulatory capital by increasing its Core Tier 1 Capital, as a result of the capital gain arising from the purchase of the notes tendered at prices below par and, at the same time, gave holders the possibility to dispose of their investment at prices higher than the market prices recorded during the period prior to announcement of the invitation.

The transaction was settled on 2 August for a total 1,147,594,344 euro in subordinated notes (corresponding to a total purchase price of approximately 1,000,000,000 euro) and 507,320,000 euro in senior notes (corresponding to a total purchase price of approximately 500,000,000 euro).

As a result of the buy back finalisation, the Intesa Sanpaolo Group's net income for the third quarter of 2012 registered a contribution of approximately 219 million euro, including the positive impact of the unwinding of interest rate derivatives.

Intesa Sanpaolo and the trade unions had signed an agreement on 29 July 2011 to implement the Group's reorganisation as envisaged by the Business Plan 2011 - 2013/15 and the consequent downsizing of staff by at least 3,000. On expiry of the relative terms, approximately 5,000 people had accepted the agreement. The reform of the pension system introduced by Law Decree 201 of 2011, converted into Law 214 of 2011, significantly modified the regulatory framework. Regarding the relative expenses, a total allocation of approximately 700 million euro had already been included in the 2011 financial statements, discounted and before taxes.
The implementation decree of June 2012 determined the number of "protected" individuals, a number that was subsequently increased by further intervention on the matter.
A new Group trade union agreement was stipulated in July 2012 ("assessment report" on the prior agreement of July 2011), confirming the decision to allow individuals requesting to exit the company to do so, through use of the Solidarity Allowance, in cases permitted by the relative regulations, to rehire them or to maintain their jobs until the sixtieth month prior to their pension right and other methods to be identified.
This agreement essentially confirms the exit of the approximately 5,000 people envisaged by the prior agreement of July 2011 according to varying terms and methods. Furthermore, it places higher costs on the Group, the entity of which can be determined on a definitive basis only after the relative regulations have been defined and after INPS has approved the individuals for pensions or for the Solidarity Allowance and defined the respective date of effectiveness.
Therefore, the existing provision was maintained in the quarterly report as at September 2012, pending the definition of any greater costs borne by the Group.

At the beginning of October, the European Banking Authority (EBA) and the Bank of Italy announced the period's results in terms of capital and fulfilment of the EBA recommendation issued in December 2011, regarding the figures as at 30 June 2012. Intesa Sanpaolo recorded a Core Tier 1 capital ratio of 10.1%, taking into account the sovereign buffer as defined by the EBA recommendation of December 2011, easily surpassing the minimum established requirement of 9%.
This recommendation was issued in order to handle the difficult situation in the European Union's banking system, particularly with regard to exposure to sovereign risk, and to restore stability on the markets.
The recommendation required banks included in the subject sample to strengthen their capital, creating a temporary and extraordinary buffer to bring the Core Tier 1 ratio to at least 9% by the end of June 2012, in order to cover exposure to sovereign debt, thereby reflecting the assessment at market prices at the end of September 2011.

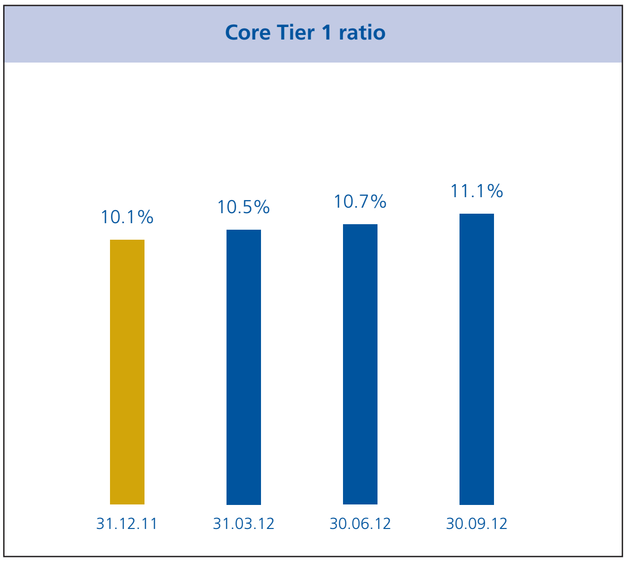
At the end of October, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo approved several changes to the Articles of Association.
The key changes regarded the structure of the Management Board, implementation of the regulatory adjustments regarding equal access (in terms of gender) in the administration and control bodies of listed companies, and the legal prohibition of taking on or exercising posts in competing companies or groups of companies (interlocking prohibition).

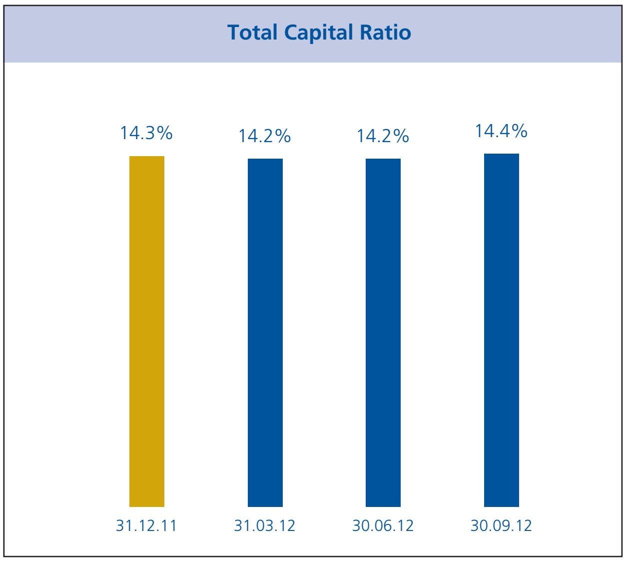
Main risks and uncertainties

The ongoing macroeconomic uncertainty and high volatility of the financial markets continue to require constant oversight of the factors that enable the Bank to pursue sustainable profitability in the medium and long term: high liquidity, funding capacity, low leverage and adequate capital base.
Liquidity remains high: as at 30 September 2012, the liquidity reserves eligible with the various Central Banks came to 110 billion euro, of which 61 billion euro was available spot (net of the haircut) and remained unused, up significantly compared to 37 billion euro at the end of 2011. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised in international markets through short-term paper) was maintained at 36 billion euro (from 37.5 billion euro at the end of 2011) and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

With regard to funding, the period was characterised by an increase in direct customer deposits of the various business units, with particularly strong performance by the demand components (current accounts and deposits).
The widespread branch network continued to be a stable and reliable source of funding: 78% of direct deposits from banking business derive from retail operations (293 billion euro). Furthermore, in the first nine months of 2012, some 6 billion euro in bonds were placed on the international markets, in addition to 1 billion euro in Covered Bonds.
The internal short-term liquidity indicator, which measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows and expected and potential cash outflows, has values that are significantly greater than one. Even the medium to long-term financial equilibrium, monitored via a structural liquidity indicator, showed a widely positive surplus at the end of September.
The minimum liquidity ratios envisaged by Basel 3 were already met at the end of September: in fact, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceed 100%.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors, while the ratio of risk-weighted assets to total assets is among the highest, given the prevalence of retail banking activities within the Group.

Even the capital base is high and was up compared to the end of 2011 and to the prior quarters of 2012: the Total Capital Ratio is 14.4%, Tier 1 is 11.9% and Core Tier 1 is 11.1%. The EBA pro-forma coefficient was equal to 10.3% compared to 9.2% from the EBA analysis on September 2011 data and the minimum requirement of 9%.





With regard to the insurance segment, the solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, as at 30 September 2012 was 3,231 million euro (of which 77 million from freezing of the capital losses on debt securities issued or guaranteed by the countries of the European Union), up compared to 2,225 million as at 31 December 2011, due to market trends and to the company's income for the nine months. The margin is 1,265 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 30 September 2012, therefore, is 164%, up compared to 113% as at 31 December 2011.

The Group's risk profile remained at relatively low levels, consistent with the Group's intention to continue to privilege commercial banking operations. Intesa Sanpaolo's VaR trend, illustrated in the graph, highlights declining market risks during the third quarter, compared to the averages of the prior quarter. The average VaR for the period totalled 69.1 million euro.

The difficult macroeconomic environment and high volatility of the financial markets make the assessment of credit risk and measurement of financial assets increasingly complex.

Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in loan granting and monitoring process.
The methods used for the classification of non-performing loans and for the measurement of those loans and performing loans ensure that the impacts of negative developments in the economic situation are promptly accounted for. As the crisis has

deepened and expanded at an alarmingly fast pace, it has become necessary to constantly review the value of both the loans already showing signs of distress and those still free from evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average provisioning percentages for doubtful loans (over 60%) and substandard loans (over 21%). With regard to performing loans, despite the classification of loans past due by over 90 days under non-performing loans, starting from 2012, the "collective" adjustments provide a coverage ratio of 0.8%, in line with the coverage in the 2011 financial statements. The lump-sum provisions on performing loans, equal to 2,663 million euro, easily cover the expected loss calculated with internal models, the value of which declined during the quarter due to the reduction and reorganisation of loans to customers.
Significant attention has been given to measurement of financial investments. The majority of financial assets (about 90%) are measured at fair value as they are classified as held for trading, designated at fair value, available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 61% using the effective market quotes method (level 1), 37% using the comparable approach (level 2) and only 2% using the mark-to-model approach (level 3). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (94%) were measured using the comparable approach (level 2).
As at 30 September 2012 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 96 billion euro (of which 33 billion euro in securities held on Group insurance companies' portfolios) and by other loans for 25 billion euro. As at 31 December 2011 the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase in the period was mainly attributable to acquisitions of Italian government securities.
The exposure to Italian government securities is 80 billion euro, with the Bank's exposure concentrated on the short-term segment (32.9 billion euro up to 2 years), with a duration of 1.8 years. The duration of the insurance portfolio is longer, at 4.9 years, consistently with that of liabilities.
The exposure to Greece as at 30 September 2012, following the trades that took place after the agreement reached with the Eurogroup in February this year and the subsequent disposal of the securities traded, is limited to a carrying value of 12 million euro, referring to the Group's insurance companies.
Investment levels in structured credit products and hedge funds remain low. The trends in fair value of these products during the nine months have generated a positive impact of 54 million euro for the former and 17 million euro for the latter.

In complex markets like the current ones, verifying the stability in the value of intangible assets is particularly difficult.
Analyses to determine the existence of any negative indicators not already considered in the impairment tests for the 2011 financial statements were conducted on intangible assets with indefinite useful lives, represented by goodwill and the brand name, recorded in the financial statements at a total value of 11,057 million euro (of which 8,673 million euro referring to goodwill), considering the continued highly unstable macroeconomic scenario, particularly in certain European countries including Italy.
To this end, the aforementioned impairment tests, carried out based on the most updated information available up to the date of approval of the financial statements for 2011 (which took place on 15 March 2012), had determined the need to adjust goodwill for a total amount of 10.3 billion euro (10.2 billion euro net of taxes). Refer to the 2011 financial statements for a description of the impairment testing methods and relative results.
In this quarterly report, the analyses carried out with reference to the aforementioned aspects, updated to the end of September 2012, highlighted the following.
No items indicating a requirement for impairment tests were identified for intangible assets with indefinite useful life (goodwill and brand name), based on the macroeconomic data and on market indicators, as at 30 September.
The other intangible assets recorded in the financial statements for a total value of 2,928 million, comprising the asset management and insurance portfolios, as well as the core deposits, all with finite useful lives, were amortised (approximately 220 million euro after tax on the income statement for the period). Qualitative analyses on the trends in amounts, product profitability and discounting rates were also carried out for these assets, in order to identify any impairment indicators. These analyses did not identify any critical aspects with respect to the situation at the end of 2011.
As the highly unstable situation continues, all indicators will be carefully monitored during the remainder of the year, in order to immediately identify any factors that could modify the positive conclusions outlined in this Interim Statement.

Finally, with regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the interim statement as at 30 September 2012 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

Forecast for the whole 2012

The recession in Italy is expected to continue into the fourth quarter as well, although at a more moderate pace than in previous months. Economic activity will also remain weak in the rest of the Eurozone during the final months of 2012. However, although there are risks on several fronts, global economic growth is expected to continue. Recent improvements in the support mechanisms have reduced the magnitude and volatility of risk premiums on Italian debt. Any new tension on the markets should not be accompanied by such violent rate hikes like the ones observed in the summer. Official interest rates should remain stable, while excess liquidity will push down money market rates.
Italian banking sector business will be sharply impacted by weakness in the Italian macroeconomic scenario and by the risks linked to the sovereign debt crisis in the Eurozone. We can reasonably expect a gradual easing in the cost of bank funding and in rates on loans during the last part of the year, given the lower risk premium on Italian debt compared to the summer and consistent with the accommodative monetary policy conditions and the decline in money rates. Continuation of the economic recession into the fourth quarter will continue to negatively impact the trend in loans and loan quality. In terms of customer deposits, growth in household deposits is expected to continue, along with banks' recourse to securities issues on the institutional market during the more favourable phases.

In the fourth quarter of 2012, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. In addition, attention will be strongly focused on strengthening the capital base and improving the profile of risk and liquidity. Value creation will remain the main driver to the most effective ways of liquidity management. Risk management systems will be bolstered, and the Group’s efficiency and productivity will be constantly addressed.
Repricing actions that began in 2011 and continued into 2012 will make it possible to limit the impact of an expected negative environment on market interest rates during the last quarter of the year. Strict cost containment actions will acounteract the effects of automatic pay increases and inflation. The cost of credit – albeit under control - will remain high. In light of the above, operating performance, net of 2011 non-recurring items, is expected to remain broadly stable.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets	30.09.2012	31.12.2011	Changes amount	Changes %
Financial assets held for trading	70,034	59,963	10,071	16.8
of which: Insurance Companies	*1,102*	*1,341*	*-239*	*-17.8*
Financial assets designated at fair value through profit and loss	36,546	34,253	2,293	6.7
of which: Insurance Companies	*35,486*	*33,391*	*2,095*	*6.3*
Financial assets available for sale	88,317	68,777	19,540	28.4
of which: Insurance Companies	*41,709*	*39,194*	*2,515*	*6.4*
Investments held to maturity	2,224	2,621	-397	-15.1
Due from banks	36,580	35,865	715	2.0
Loans to customers	374,807	376,744	-1,937	-0.5
Investments in associates and companies subject to joint control	2,794	2,630	164	6.2
Property, equipment and intangible assets	20,238	20,577	-339	-1.6
Tax assets	12,786	14,702	-1,916	-13.0
Non-current assets held for sale and discontinued operations	28	26	2	7.7
Other assets	24,311	23,063	1,248	5.4
Total Assets	**668,665**	**639,221**	**29,444**	**4.6**

Liabilities and Shareholders' Equity	30.09.2012	31.12.2011	Changes amount	Changes %
Due to banks	74,573	78,644	-4,071	-5.2
Due to customers and securities issued	373,443	357,410	16,033	4.5
of which: Insurance Companies	*106*	*403*	*-297*	*-73.7*
Financial liabilities held for trading	55,779	48,740	7,039	14.4
of which: Insurance Companies	*68*	*29*	*39*	
Financial liabilities designated at fair value through profit and loss	26,278	22,653	3,625	16.0
of which: Insurance Companies	*25,938*	*21,955*	*3,983*	*18.1*
Tax liabilities	3,292	4,064	-772	-19.0
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	27,409	24,225	3,184	13.1
Technical reserves	53,468	50,761	2,707	5.3
Allowances for specific purpose	4,585	4,966	-381	-7.7
Share capital	8,546	8,546	-	-
Reserves	40,906	49,982	-9,076	-18.2
Valuation reserves	-1,955	-3,298	-1,343	-40.7
Minority interests	653	718	-65	-9.1
Net income (loss)	1,688	-8,190	9,878	
Total Liabilities and Shareholders' Equity	**668,665**	**639,221**	**29,444**	**4.6**

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	2012			2011			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	70,034	66,080	60,328	59,963	69,934	60,584	61,141
of which: Insurance Companies	*1,102*	*1,257*	*1,331*	*1,341*	*1,371*	*1,625*	*1,690*
Financial assets designated at fair value through profit and loss	36,546	37,842	35,971	34,253	35,212	36,303	36,349
of which: Insurance Companies	*35,486*	*36,763*	*35,015*	*33,391*	*34,345*	*35,354*	*35,230*
Financial assets available for sale	88,317	88,408	85,224	68,777	70,950	69,007	64,845
of which: Insurance Companies	*41,709*	*41,082*	*40,623*	*39,194*	*40,733*	*41,837*	*41,137*
Investments held to maturity	2,224	2,222	2,266	2,621	2,872	2,865	3,021
Due from banks	36,580	35,826	32,431	35,865	40,449	43,258	40,449
Loans to customers	374,807	374,953	378,050	376,744	381,192	374,979	377,252
Investments in associates and companies subject to joint control	2,794	2,795	2,672	2,630	2,732	2,694	2,817
Property, equipment and intangible assets	20,238	20,341	20,465	20,577	30,876	30,798	30,903
Tax assets	12,786	13,313	12,340	14,702	11,259	7,886	8,079
Non-current assets held for sale and discontinued operations	28	27	26	26	30	38	35
Other assets	24,311	24,610	22,857	23,063	21,816	19,182	20,703
Total Assets	**668,665**	**666,417**	**652,630**	**639,221**	**667,322**	**647,594**	**645,594**

Liabilities and Shareholders' Equity	2012			2011			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	74,573	83,617	75,744	78,644	72,978	50,182	51,087
Due to customers and securities issued	373,443	365,639	368,657	357,410	369,459	389,511	392,736
of which: Insurance Companies	*106*	*117*	*343*	*403*	*368*	*389*	*405*
Financial liabilities held for trading	55,779	54,921	47,907	48,740	53,952	38,216	37,431
of which: Insurance Companies	*68*	*26*	*23*	*29*	*76*	*43*	*42*
Financial liabilities designated at fair value through profit and loss	26,278	24,854	24,496	22,653	23,558	24,729	25,201
of which: Insurance Companies	*25,938*	*24,417*	*23,637*	*21,955*	*22,814*	*23,969*	*24,403*
Tax liabilities	3,292	2,931	3,149	4,064	4,857	3,299	3,342
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
Other liabilities	27,409	28,811	24,640	24,225	26,697	24,330	23,765
Technical reserves	53,468	52,310	53,023	50,761	52,217	52,887	51,896
Allowances for specific purpose	4,585	4,678	4,945	4,966	4,978	4,405	4,561
Share capital	8,546	8,546	8,546	8,546	8,546	8,546	6,647
Reserves	40,906	40,882	41,800	49,982	49,906	49,924	47,920
Valuation reserves	-1,955	-2,704	-1,805	-3,298	-2,827	-937	-766
Minority interests	653	658	724	718	1,072	1,100	1,113
Net income (loss)	1,688	1,274	804	-8,190	1,929	1,402	661
Total Liabilities and Shareholders' Equity	**668,665**	**666,417**	**652,630**	**639,221**	**667,322**	**647,594**	**645,594**

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)

	30.09.2012	30.09.2011	Changes	
			amount	%
Net interest income	7,249	7,239	10	0.1
Dividends and profits (losses) on investments carried at equity	28	67	-39	-58.2
Net fee and commission income	3,972	4,127	-155	-3.8
Profits (Losses) on trading	1,500	747	753	
Income from insurance business	669	335	334	99.7
Other operating income (expenses)	-31	5	-36	
Operating income	**13,387**	**12,520**	**867**	**6.9**
Personnel expenses	-4,004	-4,071	-67	-1.6
Other administrative expenses	-2,140	-2,239	-99	-4.4
Adjustments to property, equipment and intangible assets	-472	-461	11	2.4
Operating costs	**-6,616**	**-6,771**	**-155**	**-2.3**
Operating margin	**6,771**	**5,749**	**1,022**	**17.8**
Net provisions for risks and charges	-140	-112	28	25.0
Net adjustments to loans	-3,253	-2,200	1,053	47.9
Net impairment losses on other assets	-141	-709	-568	-80.1
Profits (Losses) on investments held to maturity and on other investments	-13	40	-53	
Income (Loss) before tax from continuing operations	**3,224**	**2,768**	**456**	**16.5**
Taxes on income from continuing operations	-1,232	-66	1,166	
Charges (net of tax) for integration and exit incentives	-35	-499	-464	-93.0
Effect of purchase price allocation (net of tax)	-220	-254	-34	-13.4
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-49	-20	29	
Net income (loss)	**1,688**	**1,929**	**-241**	**-12.5**
Basic EPS - euro	**0.10**	**0.14**		
Diluted EPS - euro	**0.10**	**0.14**		

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)

	2012			2011			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,317	2,431	2,501	2,541	2,479	2,368	2,392
Dividends and profits (losses) on investments carried at equity	-27	29	26	5	26	34	7
Net fee and commission income	1,333	1,322	1,317	1,339	1,322	1,410	1,395
Profits (Losses) on trading	623	161	716	173	-74	541	280
Income from insurance business	216	195	258	205	50	165	120
Other operating income (expenses)	-19	-7	-5	2	-3	-3	11
Operating income	**4,443**	**4,131**	**4,813**	**4,265**	**3,800**	**4,515**	**4,205**
Personnel expenses	-1,295	-1,353	-1,356	-1,348	-1,324	-1,375	-1,372
Other administrative expenses	-711	-735	-694	-841	-752	-766	-721
Adjustments to property, equipment and intangible assets	-160	-155	-157	-177	-159	-153	-149
Operating costs	**-2,166**	**-2,243**	**-2,207**	**-2,366**	**-2,235**	**-2,294**	**-2,242**
Operating margin	**2,277**	**1,888**	**2,606**	**1,899**	**1,565**	**2,221**	**1,963**
Net provisions for risks and charges	-69	-34	-37	-106	-18	-80	-14
Net adjustments to loans	-1,198	-1,082	-973	-2,043	-695	-823	-682
Net impairment losses on other assets	-43	-39	-59	-360	-635	-57	-17
Profits (Losses) on investments held to maturity and on other investments	-5	-2	-6	-139	7	19	14
Income (Loss) before tax from continuing operations	**962**	**731**	**1,531**	**-749**	**224**	**1,280**	**1,264**
Taxes on income from continuing operations	-454	-152	-626	976	894	-464	-496
Charges (net of tax) for integration and exit incentives	-11	-10	-14	-53	-483	-12	-4
Effect of purchase price allocation (net of tax)	-71	-76	-73	-67	-83	-85	-86
Goodwill impairment (net of tax)	-	-	-	-10,233	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-
Minority interests	-12	-23	-14	7	-25	22	-17
Net income (loss)	**414**	**470**	**804**	**-10,119**	**527**	**741**	**661**

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

REPORT ON OPERATIONS

Economic results

As illustrated above in the introduction, in a context characterised by the continuation of the Eurozone financial crisis and, especially in Italy and other peripheral countries, by a decline in economic activity and by the crisis in consumer confidence, in the first nine months of 2012 the Intesa Sanpaolo Group achieved growth of its operating income which, together with cost containment measures, resulted in an increase in operating margin that translated into an increase in income before tax from continuing operations, despite the strict provisioning and adjustment policy, required to account for the deterioration of the credit cycle. The greater tax charge brought the net income for the period to 1,688 million euro, down compared to the corresponding period of 2011.

Operating income

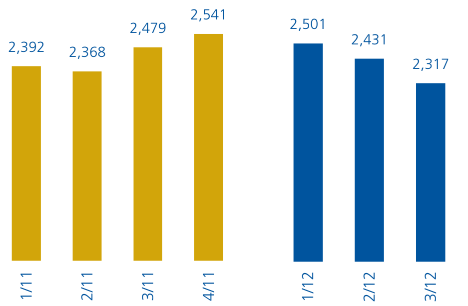
Operating income reported by the Group amounted to 13,387 million euro, up by 6.9% compared to the first nine months of 2011. The trend was driven by an appreciable increase in profits on trading and income from the insurance business, which more than offset the decrease in fees and commission income.
Revenues in the third quarter of 2012 were also up by 7.6% compared to the second quarter, owing primarily to profits on trading, which benefited from the repurchase of bonds completed in July.

Net interest income

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Relations with customers	8,514	8,758	-244	-2.8
Securities issued	-4,311	-4,103	208	5.1
Differentials on hedging derivatives	1,245	971	274	28.2
Customer dealing	**5,448**	**5,626**	**-178**	**-3.2**
Financial assets held for trading	377	478	-101	-21.1
Investments held to maturity	68	82	-14	-17.1
Financial assets available for sale	884	502	382	76.1
Financial assets	**1,329**	**1,062**	**267**	**25.1**
Relations with banks	**-177**	**-34**	**143**	
Non-performing assets	**703**	**650**	**53**	**8.2**
Other net interest income	**-54**	**-65**	**-11**	**-16.9**
Net interest income	**7,249**	**7,239**	**10**	**0.1**

Quarterly development Net interest income



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 2012, net interest income remained stable (+0.1%) compared to the same period of 2011, amounting to 7,249 million euro: the improved pricing of loans and the growth of interest on financial assets, together with greater differentials on hedging derivatives, were sufficient to offset the greater cost of funding.
During the year, market rates continued the decline that began in the second part of 2011. Within this context, net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 5,448 million euro, down by 3.2% over the same period of the previous year, despite the greater differentials on hedging derivatives. The latter only partially offset the decrease in the margin on relations with customers, which was penalised by the lesser contribution on funding (the mark-down is at all-time lows) and the increase in interest expense on securities issued.
Compared to the first nine months of 2011, interest on financial assets increased 25.1% owing to the growth in assets available for sale (+382 million euro), which more than offset the drop in financial assets held for trading (-101 million euro) and the more limited decrease in investments held to maturity (-14 million euro), within a context showing a sharp rise in financial investments.
Net interest on the interbank market reported a negative balance of 177 million euro, compared to net interest expense of 34 million euro in the first nine months of 2011, reflecting in particular the significant increase in the exposure to the ECB from the third quarter of 2011.

(millions of euro)

	2012 Third quarter (A)	2012 Second quarter (B)	2012 First quarter (C)	Changes % (A/B)	Changes % (B/C)
Relations with customers	2,668	2,849	2,997	-6.4	-4.9
Securities issued	-1,447	-1,449	-1,415	-0.1	2.4
Differentials on hedging derivatives	477	435	333	9.7	30.6
Customer dealing	**1,698**	**1,835**	**1,915**	**-7.5**	**-4.2**
Financial assets held for trading	122	116	139	5.2	-16.5
Investments held to maturity	22	22	24	-	-8.3
Financial assets available for sale	306	300	278	2.0	7.9
Financial assets	**450**	**438**	**441**	**2.7**	**-0.7**
Relations with banks	**-58**	**-48**	**-71**	**20.8**	**-32.4**
Non-performing assets	**247**	**226**	**230**	**9.3**	**-1.7**
Other net interest income	**-20**	**-20**	**-14**	**-**	**42.9**
Net interest income	**2,317**	**2,431**	**2,501**	**-4.7**	**-2.8**

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

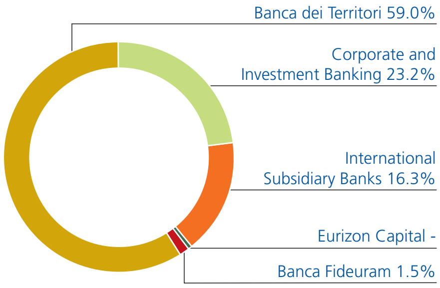
The interest margin for the third quarter recorded a 4.7% decrease on the second quarter of the year, primarily as a result of the drop in market rates, which caused a further contraction of the mark-down.

(millions of euro)

	30.09.2012	30.09.2011	Changes amount	Changes %
Banca dei Territori	4,448	4,301	147	3.4
Corporate and Investment Banking	1,751	1,712	39	2.3
International Subsidiary Banks	1,224	1,305	-81	-6.2
Eurizon Capital	1	1	-	-
Banca Fideuram	113	100	13	13.0
Total business areas	**7,537**	**7,419**	**118**	**1.6**
Corporate Centre	-288	-180	108	60.0
Intesa Sanpaolo Group	**7,249**	**7,239**	**10**	**0.1**

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 59% of business area results, recorded a 3.4% increase in net interest income, mainly due to the greater contribution from repricing policies on loans to customers offset by smaller margins on deposits and lower benefits from the hedging of demand loans and deposits. Corporate and Investment Banking also recorded an increase in the interest margin (+2.3%), attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italy and Mid Corporate segments) and Mediofactoring, together with the positive contribution of the assets relating to Banca IMI's trading and AFS portfolio, which benefited both from an increase in average investments in fixed-income securities and a higher average return. Banca Fideuram also made a positive contribution, with a 13% increase in net interest income, largely attributable to the higher return on new investments achieved through a change in asset allocation. Conversely, net interest income for the International Subsidiary Banks was down (-6.2%).

Dividends and profits on investments carried at equity

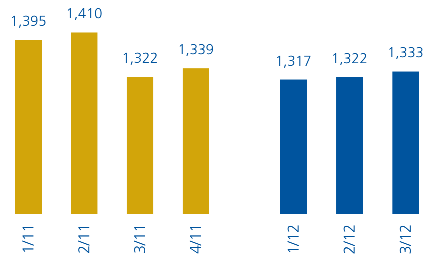
In the first nine months of 2012, share dividends and profits on investments carried at equity came to 28 million euro, attributable to the largely negative effects of certain associates carried at equity, over which the Group exercises significant influence, and which are thus measured using the equity method in the financial statements, as well as to the dividend paid by the Bank of Italy (29 million euro). The item recorded a decrease compared with the 67 million euro in profits reported in the same period of the previous year, owing to the deterioration of the financial performance and position of certain equity investments. The dividends relate to companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Guarantees given / received	220	280	-60	-21.4
Collection and payment services	247	256	-9	-3.5
Current accounts	744	645	99	15.3
Credit and debit cards	345	345	-	-
Commercial banking activities	**1,556**	**1,526**	**30**	**2.0**
Dealing and placement of securities	325	303	22	7.3
Currency dealing	35	42	-7	-16.7
Portfolio management	831	910	-79	-8.7
Distribution of insurance products	447	513	-66	-12.9
Other	87	86	1	1.2
Management, dealing and consultancy activities	**1,725**	**1,854**	**-129**	**-7.0**
Other net fee and commission income	**691**	**747**	**-56**	**-7.5**
Net fee and commission income	**3,972**	**4,127**	**-155**	**-3.8**

Quarterly development
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 for first nine months of 2012, which makes up over 30% of operating income, came to 3,972 million euro, down 3.8% compared to the corresponding period in 2011.
Fees and commissions on commercial banking activities were up considerably (+2%): fees and commissions on current accounts more than offset the decrease in collection and payment services and guarantees given and received. In further detail, the performance of the latter (-21.4%) was attributable to the recognition in the first nine months of 2012 of the cost of the government guarantee on the Bank's bonds placed with the ECB at the end of December 2011 (over 60 million euro in the nine months).
Overall, management, dealing and consultancy activities generated net fee and commission income of 1,725 million euro, against 1,854 million euro recorded in the first nine months of 2011: the decrease was primarily due to customers' aversion to risk, scarcely favourable market conditions and the Group's policy, focused on enhancing liquidity. The growth of security dealing and placement commissions (+22 million euro) was not sufficient to offset the decline in fees and commissions on collective and individual portfolio management (-79 million euro), the distribution of insurance products (-66 million euro) and currency dealing (-7 million euro). Fees and commissions relating to other management and dealing operations presented marginal changes (+1 million euro).
Other net fee and commission income amounted to 691 million euro, recording a 7.5% decrease essentially attributable to other commissions on loans issued, only partly offset by the higher revenues from factoring services.

(millions of euro)

	2012			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Guarantees given / received	62	73	85	-15.1	-14.1
Collection and payment services	81	91	75	-11.0	21.3
Current accounts	278	239	227	16.3	5.3
Credit and debit cards	124	113	108	9.7	4.6
Commercial banking activities	**545**	**516**	**495**	**5.6**	**4.2**
Dealing and placement of securities	98	87	140	12.6	-37.9
Currency dealing	10	11	14	-9.1	-21.4
Portfolio management	282	273	276	3.3	-1.1
Distribution of insurance products	149	157	141	-5.1	11.3
Other	31	26	30	19.2	-13.3
Management, dealing and consultancy activities	**570**	**554**	**601**	**2.9**	**-7.8**
Other net fee and commission income	**218**	**252**	**221**	**-13.5**	**14.0**
Net fee and commission income	**1,333**	**1,322**	**1,317**	**0.8**	**0.4**

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

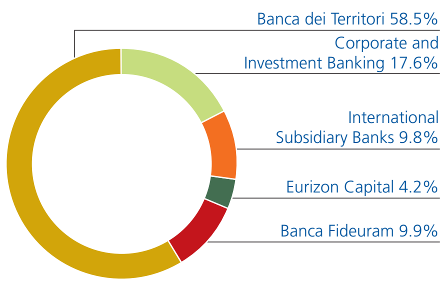
Compared to those of the second quarter of 2012, net fee and commission income for the third quarter recorded no significant changes, while continuing to show a trend towards slight improvement. In further detail, the favourable performance of fees and commissions on commercial banking activities (+29 million euro; +5.6%) and management, dealing and consultancy activities (+16 million euro; +2.9%) was offset by the decline in other net fee and commission income (-13.5%).

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Banca dei Territori	2,441	2,439	2	0.1
Corporate and Investment Banking	732	791	-59	-7.5
International Subsidiary Banks	407	429	-22	-5.1
Eurizon Capital	177	186	-9	-4.8
Banca Fideuram	413	427	-14	-3.3
Total business areas	**4,170**	**4,272**	**-102**	**-2.4**
Corporate Centre	-198	-145	53	36.6
Intesa Sanpaolo Group	**3,972**	**4,127**	**-155**	**-3.8**

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

Business areas



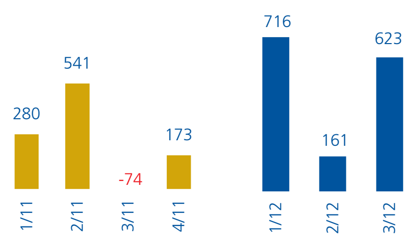
By business sector, all business units, except Banca dei Territori, experienced a decline. In detail, the net fee and commission income of Banca dei Territori, which accounts for approximately 59% of the operating units' fee and commission income, was stable (+0.1%): while net fee and commission income on current accounts (including fee and commission income on account credit facilities) and traditional assets under administration increased, there were declines in net fee and commission income on asset management and bancassurance products, as well as in fees and commissions on mortgage insurance and payment cards. Corporate and Investment Banking net fee and commission income recorded a 7.5% decrease attributable to the investment banking segment, especially in reference to the primary market and structured finance which in the first nine months of last year had benefited from non-recurring transactions. There were more moderate decreases in absolute terms by the International Subsidiary Banks (-5.1%), Eurizon Capital (-4.8%), owing to lesser average assets under management than in the first nine months of 2011 and a greater incidence of captive insurance products yielding lower margins for Eurizon Capital than retail funds and management schemes, and Banca Fideuram (-3.3%), due to the increase in fee and commission expense as a result of greater incentives paid and accrued to private banker networks and new commercial initiatives in support of growth.

Profits (Losses) on trading

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Interest rates	484	-39	523	
Equity instruments	63	-94	157	
Currencies	75	185	-110	-59.5
Structured credit products	75	17	58	
Credit derivatives	-82	84	-166	
Commodity derivatives	16	7	9	
Trading result	**631**	**160**	**471**	
Trading on AFS securities and financial liabilities	**869**	**587**	**282**	**48.0**
Profits (Losses) on trading	**1,500**	**747**	**753**	

Quarterly development 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 benefited from a period of lower uncertainty in the financial markets, yielded a profit of 1,500 million euro, more than twice the 747 million euro reported in the corresponding period of the previous year. As mentioned above, the figures for the two periods include non-recurring income: in particular, the first nine months of 2012 include capital gains on the repurchase of own securities (two transactions for a total of 601 million euro) and the sale of London Stock Exchange (94 million euro). The corresponding period of 2011 had benefited from capital gains on the sale of Findomestic and Prada (respectively, 154 and 272 million euro).

The positive trend in trading result was especially due to the contribution from interest rate transactions (+523 million euro) and equity transactions (+157 million euro), only partly mitigated by the declining trend in foreign currency and structured credit derivative transactions. Trading on AFS securities and financial liabilities also achieved higher revenues than in the first nine months of 2011 (+282 million euro). Excluding the foregoing capital gains, which came to a total of 426 million euro in the first nine months of 2011 and 695 million euro in the first nine months of 2012, such trading still increased compared to the levels achieved in 2011.

It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

(millions of euro)

	2012			Changes %	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Interest rates	108	31	345		-91.0
Equity instruments	19	6	38		-84.2
Currencies	19	41	15	-53.7	
Structured credit products	50	5	20		-75.0
Credit derivatives	-18	10	-74		
Commodity derivatives	4	-5	17		
Trading result	**182**	**88**	**361**		**-75.6**
Trading on AFS securities and financial liabilities	**441**	**73**	**355**		**-79.4**
Profits (Losses) on trading	**623**	**161**	**716**		**-77.5**

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

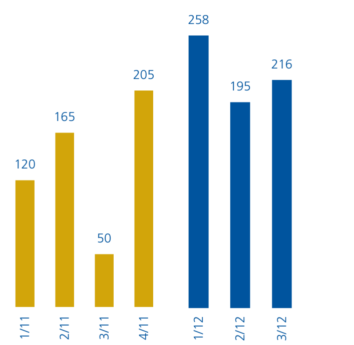
Profits on trading for the third quarter (623 million euro), which primarily include profits on the repurchase of own securities (327 million euro), came to significantly higher levels than in the second quarter (161 million euro), which had benefited from the realised gain on the sale of the equity investment in London Stock Exchange (94 million euro).

Income from insurance business

(millions of euro)

Captions (a)	30.09.2012			30.09.2011			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	**103**	**16**	**119**	**47**	**36**	**83**	**36**	**43.4**
Net insurance premiums (b)	4,018	119	4,137	7,368	124	7,492	-3,355	-44.8
Net charges for insurance claims and surrenders (c)	-5,639	-56	-5,695	-4,426	-32	-4,458	1,237	27.7
Net charges for changes in technical reserves (d)	75	-	75	-3,251	-	-3,251	3,326	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,689	-	1,689	544	-	544	1,145	
Net fees on investment contracts (f)	100	-	100	111	-	111	-11	-9.9
Commission expenses on insurance contracts (g)	-208	-47	-255	-314	-55	-369	-114	-30.9
Other technical income and expense (h)	68	-	68	15	-1	14	54	
Net investment result	**536**	**14**	**550**	**244**	**8**	**252**	**298**	
Operating income from investments	4,124	14	4,138	102	8	110	4,028	
Net interest income	*1,619*	*10*	*1,629*	*1,436*	*8*	*1,444*	*185*	*12.8*
Dividends	*76*	*1*	*77*	*74*	*-*	*74*	*3*	*4.1*
Gains/losses on disposal	*583*	*3*	*586*	*85*	*1*	*86*	*500*	
Valuation gains/losses	*2,073*	*-*	*2,073*	*-1,309*	*-1*	*-1,310*	*3,383*	
Portfolio management fees paid (i)	*-122*	*-*	*-122*	*-117*	*-*	*-117*	*5*	*4.3*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-105*	*-*	*-105*	*-67*	*-*	*-67*	*38*	*56.7*
Gains (losses) on investments pertaining to insured parties	-3,588	-	-3,588	142	-	142	-3,730	
Insurance products (k)	*-1,482*	*-*	*-1,482*	*-628*	*-*	*-628*	*854*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-207*	*-*	*-207*	*84*	*-*	*84*	*-291*	
Investment products (m)	*-1,899*	*-*	*-1,899*	*686*	*-*	*686*	*-2,585*	
Income from insurance business	**639**	**30**	**669**	**291**	**44**	**335**	**334**	**99.7**

Quarterly development 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 table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes profit/loss pertaining to third party underwriters of consolidated mutual funds which are not wholly-owned by the Group.

(k) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(l) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(m) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

During the first nine months of 2012, income from the insurance business, which includes the cost and revenue captions of the Group's insurance companies, was 669 million euro, twice that of the same period of the previous year. The positive performance of this sector was aided by the financial market recovery that began in the first quarter of the year. Within this context, the insurance companies undertook trading activity aimed at supporting the return of separate management schemes, which incorporated the capital losses recognised in the previous year.
The life insurance segment underwent positive development: the net investment result improved considerably owing to the growth of the operating income from investments, which far exceeded the retrocession of policyholders' investments. The technical margin of the life insurance segment increased due to the combined effects of the reduction of charges relating to changes in reserves and the increase in gains pertaining to insured parties, offset by the decline in net premiums and the increase in charges for insurance claims and surrenders.
Income from non-life business – the extent of which is still marginal in the Group's insurance business – was down 14 million euro, mainly due to the increase in charges for insurance claims and surrenders and the decline in net premiums, only partly offset by the increase in the net investment result.

(millions of euro)

Captions (a)	**2012**			**Changes**	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Technical margin	**45**	**51**	**23**	**-11.8**	
Net insurance premiums (b)	1,281	1,731	1,125	-26.0	53.9
Net charges for insurance claims and surrenders (c)	-2,188	-1,752	-1,755	24.9	-0.2
Net charges for changes in technical reserves (d)	359	-222	-62		
Gains (losses) on investments pertaining to insured parties on insurance products (e)	624	330	735	89.1	-55.1
Net fees on investment contracts (f)	34	33	33	3.0	-
Commission expenses on insurance contracts (g)	-85	-99	-71	-14.1	39.4
Other technical income and expense (h)	20	30	18	-33.3	66.7
Net investment result	**171**	**144**	**235**	**18.8**	**-38.7**
Operating income from investments	1,811	195	2,132		-90.9
Net interest income	*538*	*553*	*538*	-2.7	2.8
Dividends	*26*	*38*	*13*	*-31.6*	
Gains/losses on disposal	*227*	*51*	*308*		*-83.4*
Valuation gains/losses	*964*	*-365*	*1,474*		
Portfolio management fees paid (i)	*-38*	*-42*	*-42*	*-9.5*	-
Profit/loss pertaining to third party underwriters of mutual funds (j)	*94*	*-40*	*-159*		*-74.8*
Gains (losses) on investments pertaining to insured parties	-1,640	-51	-1,897		-97.3
Insurance products (k)	*-547*	*-274*	*-661*	*99.6*	*-58.5*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-77*	*-56*	*-74*	*37.5*	*-24.3*
Investment products (m)	*-1,016*	*279*	*-1,162*		
Income from insurance business	**216**	**195**	**258**	**10.8**	**-24.4**

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

For notes, see the previous table

Income from insurance business increased by 21 million euro in the third quarter of 2012 compared to the second quarter of the year, owing to the growth of the net investment result and, markedly, the operating income from investments, only partly attenuated by the decrease in the technical margin.

(millions of euro)

	30.09.2012				**30.09.2011**
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**219**	**3,800**	**4,019**	*3,800*	**7,369**
Premiums issued on traditional products	178	3,657	3,835	*3,657*	7,063
Premiums issued on unit-linked products	16	22	38	*22*	136
Premiums issued on capitalisation products	1	-	1	-	1
Premiums issued on pension funds	24	121	145	*121*	169
Non-life insurance business	**34**	**89**	**123**	*45*	**129**
Premiums issued	33	129	162	*114*	172
Change in premium reserves	1	-40	-39	*-69*	-43
Premiums ceded to reinsurers	**-2**	**-3**	**-5**	*-2*	**-6**
Net premiums from insurance products	**251**	**3,886**	**4,137**	***3,843***	**7,492**
Business on index-linked contracts	-	1	1	*1*	-
Business on unit-linked contracts	133	4,728	4,861	*4,735*	3,000
Total business from investment contracts	**133**	**4,729**	**4,862**	***4,736***	**3,000**
Total business	**384**	**8,615**	**8,999**	***8,579***	**10,492**

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

Business in the insurance segment came to approximately 9 billion euro in premiums, a figure that is compared with the 10.5 billion euro in total inflows for the first nine months of 2011. The decrease was caused by the decline in premiums written on traditional life insurance policies, whereas there was an increase in business relating to investment contracts. New business, which includes premiums on new contracts signed by customers during the period and single additional premiums, also proved lower than in the first nine months of 2011: inflows, including retirement products, amounted to 8.6 billion euro, of which 3.7 billion euro in traditional life insurance products and 4.7 billion euro in investment contracts.

Other operating income (expenses)

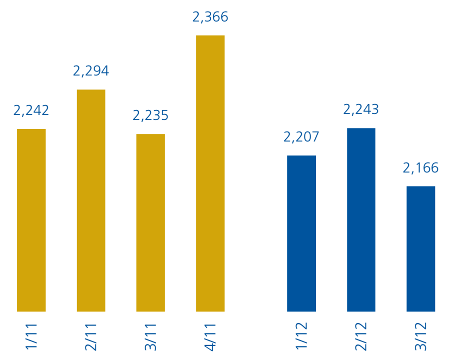
Other operating income (expenses) represent a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. This caption typically presents a negligible amount, though with fluctuating signs (+/-). In the first nine months of 2012, this caption showed a loss of 31 million euro, compared with 5 million euro in income for the corresponding period in 2011.

Operating costs

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Wages and salaries	2,832	2,885	-53	-1.8
Social security charges	710	744	-34	-4.6
Other	462	442	20	4.5
Personnel expenses	**4,004**	**4,071**	**-67**	**-1.6**
Information technology expenses	495	502	-7	-1.4
Management of real estate assets expenses	555	553	2	0.4
General structure costs	330	339	-9	-2.7
Professional and legal expenses	227	317	-90	-28.4
Advertising and promotional expenses	90	105	-15	-14.3
Indirect personnel costs	88	93	-5	-5.4
Other costs	273	262	11	4.2
Indirect taxes and duties	526	480	46	9.6
Recovery of expenses and charges	-444	-412	32	7.8
Administrative expenses	**2,140**	**2,239**	**-99**	**-4.4**
Property and equipment	271	284	-13	-4.6
Intangible assets	201	177	24	13.6
Adjustments	**472**	**461**	**11**	**2.4**
Operating costs	**6,616**	**6,771**	**-155**	**-2.3**

Quarterly development 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 6,616 million euro, down 2.3% on the figure recorded for the same period in 2011.
Personnel expenses, amounting to 4,004 million euro, recorded a 1.6% decrease as a result of the reduction in the average workforce of 2.4%, which more than offset the effects of the physiological increase in remuneration. Administrative expenses amounted to 2,140 million euro, down 4.4%: this result was shaped in particular by the decrease in professional and legal expenses (consulting), which fell by 90 million euro, or 28.4%, accompanied by the reduction in advertising and promotional expenses (-14.3%), general structure costs (-2.7%) and information technology services (-1.4%).
Amortisation and depreciation totalled 472 million euro, up 2.4% on the first nine months of the previous year, due to higher investments in intangible assets.
As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 49.4%, down considerably compared with the 54.1% recognised for the first nine months of 2011.

(millions of euro)

	2012			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Wages and salaries	935	952	945	-1.8	0.7
Social security charges	221	247	242	-10.5	2.1
Other	139	154	169	-9.7	-8.9
Personnel expenses	**1,295**	**1,353**	**1,356**	**-4.3**	**-0.2**
Information technology expenses	164	169	162	-3.0	4.3
Management of real estate assets expenses	188	184	183	2.2	0.5
General structure costs	109	110	111	-0.9	-0.9
Professional and legal expenses	74	79	74	-6.3	6.8
Advertising and promotional expenses	29	38	23	-23.7	65.2
Indirect personnel costs	20	35	33	-42.9	6.1
Other costs	97	91	85	6.6	7.1
Indirect taxes and duties	170	196	160	-13.3	22.5
Recovery of expenses and charges	-140	-167	-137	-16.2	21.9
Administrative expenses	**711**	**735**	**694**	**-3.3**	**5.9**
Property and equipment	89	89	93	-	-4.3
Intangible assets	71	66	64	7.6	3.1
Adjustments	**160**	**155**	**157**	**3.2**	**-1.3**
Operating costs	**2,166**	**2,243**	**2,207**	**-3.4**	**1.6**

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

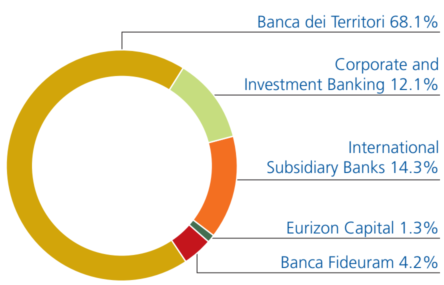
At the quarterly level, operating costs decreased by 3.4% in the third quarter compared to the previous quarter, reaching 2,166 million euro. This performance may be ascribed to the decrease in personnel expenses and, to a lesser extent, the containment of administrative expenses.

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Banca dei Territori	4,157	4,293	-136	-3.2
Corporate and Investment Banking	738	715	23	3.2
International Subsidiary Banks	872	860	12	1.4
Eurizon Capital	82	93	-11	-11.8
Banca Fideuram	255	265	-10	-3.8
Total business areas	**6,104**	**6,226**	**-122**	**-2.0**
Corporate Centre	512	545	-33	-6.1
Intesa Sanpaolo Group	**6,616**	**6,771**	**-155**	**-2.3**

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 fall in Group operating costs (-2.3%) was driven by Banca dei Territori (-3.2%), which accounts for approximately 68% of business area costs, Eurizon Capital (-11.8%) and Banca Fideuram (-3.8%). Savings in these business areas were related primarily to other administrative expenses. There was an increase in the costs reported by Corporate and Investment Banking (+3.2%) and the International Subsidiary Banks (+1.4%). The Corporate Centre's costs were down (-6.1%) due to lower personnel expenses.

Operating margin

The operating margin in the first nine months of 2012 was 6,771 million euro, up 17.8% on the same period of the previous year. This trend was generated by the increase in revenues (+6.9%), accompanied by a reduction in operating costs (-2.3%).
Compared to the result for the second quarter of the year, the operating margin for the third quarter was up 20.6%, essentially due to the result for profits on trading.

Adjustments to/write-backs on assets

Net provisions for risks and charges

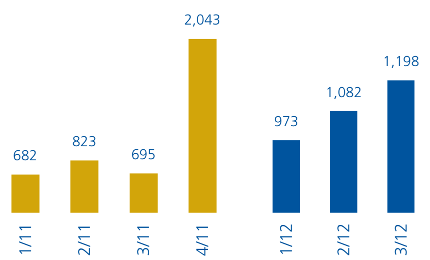
In the first nine months of 2012, net provisions for risks and charges stood at 140 million euro, most of which were attributable to provisions for legal disputes by the Parent Company and Banca Fideuram. That amount was in excess of the 112 million euro recorded in the same period of 2011.

Net adjustments to loans

(millions of euro)

	30.09.2012	30.09.2011	Changes	
			amount	%
Doubtful loans	-1,465	-1,359	106	7.8
Substandard loans	-1,166	-702	464	66.1
Restructured loans	-227	-29	198	
Past due loans	-328	-146	182	
Performing loans	-37	9	-46	
Net impairment losses on loans	**-3,223**	**-2,227**	**996**	**44.7**
Net adjustments to guarantees and commitments	**-30**	**27**	**-57**	
Net adjustments to loans	**-3,253**	**-2,200**	**1,053**	**47.9**

Quarterly development
Net adjustments to loans



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

The worsening of the general economic situation for more than a year now has resulted in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans. This trend continued in the first nine months of 2012, with net adjustments to loans of 3,253 million euro, up on the figure recorded in the same period of 2011 by more than 1 billion euro (+47.9%). Doubtful positions required total net impairment adjustments of 1,465 million euro, on the rise compared to the corresponding period of the previous year (+7.8%), with an average coverage ratio for these loans of 60.5%. Net impairment losses on substandard loans, totalling 1,166 million euro, increased 66.1% compared to the first nine months of 2011, with a coverage ratio of 21.1%. Net impairment losses on restructured loans increased by 198 million euro on the corresponding period of the previous year; net impairment losses on past due loans also increased significantly, due to the reduction of the limit to 90 days for classification under non-performing loans as envisaged by the Regulator.
Lastly, within performing loans, there were adjustments of 37 million euro, with a coverage ratio for the physiological risk inherent in the portfolio of 0.8%. This figure is compared with the 9 million euro in recoveries recognised in the first nine months of 2011.

(millions of euro)

	2012			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Doubtful loans	-492	-519	-454	-5.2	14.3
Substandard loans	-412	-357	-397	15.4	-10.1
Restructured loans	-164	-53	-10		
Past due loans	-112	-103	-113	8.7	-8.8
Performing loans	-36	-4	3		
Net losses/recoveries on impairment of loans	**-1,216**	**-1,036**	**-971**	**17.4**	**6.7**
Net adjustments to/recoveries on guarantees and commitments	**18**	**-46**	**-2**		
Net adjustments to loans	**-1,198**	**-1,082**	**-973**	**10.7**	**11.2**

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

At the quarterly level, the 1,198 million euro adjustments in the third quarter of 2012 were up by 10.7% compared with the 1,082 million euro in the second quarter of the year, owing to greater provisions on restructured loans and substandard positions, only partially offset by recoveries on guarantees and commitments and the decrease in impairment losses on doubtful loans.
It should also be noted that the increase in impairment losses on restructured loans of 164 million euro in the third quarter is to be attributed to exposure to a single entity for 125 million euro.

Net impairment losses on other assets

For the first nine months of 2012, net impairment losses on other assets totalled 141 million euro, 29 million euro of which was attributable to the impairment of Greek government bonds exchanged in the second quarter and 20 million euro to impairment losses on securities held in the insurance companies' portfolios. The caption also includes impairment losses of approximately 26 million euro relating to non-operating property acquired in debt recovery by the Hungarian subsidiary. The amount of 141 million euro is compared with the 709 million euro recognised in the corresponding period of the previous year, which also included 600 million euro in impairment losses on Greek bonds held by Group companies.

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

Investments held to maturity and other investments generated a loss of 13 million euro, compared with the 40 million euro profit reported in the same period of 2011.

Income before tax from continuing operations

Income before tax from continuing operations came to 3,224 million euro, up 16.5% compared to the same period in 2011.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes came to 1,232 million euro, with a tax rate of 38.2%. The income taxes recognised in the corresponding period of 2011 (66 million euro) had benefited from the positive effect of 1,100 million of the realignment of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011.

On the other hand, the tax rate for 2012 benefits from the deduction of Regional Business Tax (IRAP) relating to the taxable portion of personnel (employees and similar) expenses from the Corporate Income Tax (IRES) taxable amount. This deduction, permitted under Article 2, paragraph 1, Law Decree 201/2011, is applicable with effect from the tax year in progress as at 31 December 2012. The subsequent Law Decree 16/2012 supplemented the previous requirement, allowing taxpayers the option of requesting reimbursement for tax years 2007 to 2011, for which the total IRES taxes that could qualify for reimbursement were quantified and recognised in accordance with prudential criteria, with a tax benefit for the Group of approximately 200 million euro.

Charges (net of tax) for integration and exit incentives

The caption amounted to 35 million euro and was down sharply from the 499 million euro recognised in the first nine months of 2011, which included the charge relating to the exit of personnel pursuant to the Framework Agreement of 29 July 2011.

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 220 million euro, down from 254 million euro recorded in the same period of 2011.

Income (Loss) from discontinued operations (net of tax)

No income or loss on discontinued operations was recorded either for the first nine months of 2012 or 2011.

Net income (loss)

The Group closed the first nine months of 2012 with a net income of 1,688 million euro, down 12.5% on the 1,929 million euro reported in the same period of 2011. The net income for the third quarter, totalling 414 million euro, is compared with 470 million euro in the second quarter of the current year, which had benefited from the tax effect described above.

Balance sheet aggregates

Intesa Sanpaolo's consolidated assets recorded an increase of 29.4 billion euro in the first nine months of 2012 (4.6%). With regard to assets, there were increases in financial assets available for sale (+19.5 billion euro), financial assets held for trading (+10.1 billion euro) and those designated at fair value (+2.3 billion euro), whereas loans to customers were essentially stable (-1.9 billion euro). Liabilities record increases in customer deposits and securities issued (+16 billion euro), financial liabilities held for trading (+7 billion euro), financial liabilities designated at fair value through profit or loss (+3.6 billion euro) and other liabilities (+3.2 billion euro), whereas there was a decrease in amounts due to banks (-4.1 billion euro).

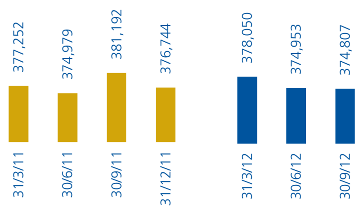
Loans to customers

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	32,611	8.7	33,832	9.0	-1,221	-3.6
Mortgages	162,717	43.5	164,845	43.7	-2,128	-1.3
Advances and other loans	123,491	32.9	131,783	35.0	-8,292	-6.3
Commercial banking loans	**318,819**	**85.1**	**330,460**	**87.7**	**-11,641**	**-3.5**
Repurchase agreements	**11,791**	**3.1**	**5,302**	**1.4**	**6,489**	
Loans represented by securities	**16,931**	**4.5**	**18,286**	**4.9**	**-1,355**	**-7.4**
Non-performing loans	**27,266**	**7.3**	**22,696**	**6.0**	**4,570**	**20.1**
Loans to customers	**374,807**	**100.0**	**376,744**	**100.0**	**-1,937**	**-0.5**

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



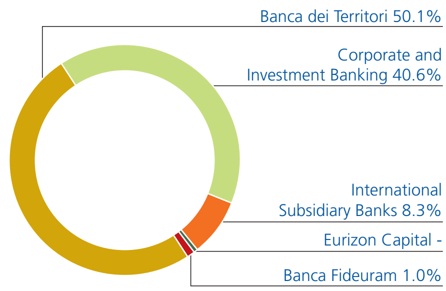
As at 30 September 2012, Intesa Sanpaolo Group loans to customers amounted to approximately 375 billion euro, down marginally (-0.5%: -1.9 billion euro) on the figure of the end of the previous year.
The decrease in loans compared to the beginning of the year was due to the reduction in commercial banking loans, down 11.6 billion euro (-3.5%), only partly offset by the 6.5 billion euro increase in repurchase agreements, which more than doubled compared to the end of December 2011. The overall change was also influenced by the 4.6 billion euro increase in non-performing loans (+20.1%) and the 1.4 billion euro decrease in loans represented by securities (-7.4%). The trend for commercial banking loans is attributable to the general decline of all technical forms that comprise the aggregate, and in further detail: advances and other loans showed a decrease of 8.3 billion euro (-6.3%), mortgages declined by 2.1 billion euro (-1.3%) and current accounts presented a reduction of 1.2 billion euro (-3.6%). In the domestic medium-/long-term loan market, in the first nine months of 2012 disbursements to households (including the small business and non-profit segments) exceeded 7.9 billion euro and disbursements to businesses under the Banca dei Territori came to slightly less than 5 billion euro. In the same period, medium/long-term disbursements to Mid Corporate and Large Corporate Italia customers reached 13.5 billion euro.
As at 30 September 2012, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was 15.7% for total loans, in line with the figure recorded at the end of December 2011.

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Banca dei Territori	181,435	187,435	-6,000	-3.2
Corporate and Investment Banking	146,805	149,201	-2,396	-1.6
International Subsidiary Banks	30,070	30,676	-606	-2.0
Eurizon Capital	103	109	-6	-5.5
Banca Fideuram	3,499	3,439	60	1.7
Total business areas	**361,912**	**370,860**	**-8,948**	**-2.4**
Corporate Centre	12,895	5,884	7,011	
Intesa Sanpaolo Group	**374,807**	**376,744**	**-1,937**	**-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 and discontinued operations.

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for half the aggregate of the Group's business areas, recorded a decrease in loans to customers of 3.2% compared to the end of the previous year, particularly to companies and small businesses. Corporate and investment banking loans, including those of Public Finance, showed a decrease of 1.6%, resulting from the lesser use of cash by large Italian and international corporate groups. The International Subsidiary Banks also reported a decrease of 2%. By contrast, Banca Fideuram loans, amounting to a modest total overall, increased (+1.7%) owing to loans to customers and loans involving debt securities. The increase in Corporate Centre loans, more than twice the figure for the beginning of the year, is attributable to the finalisation of repurchase agreements with institutional counterparties.

Loans to customers: loan portfolio quality

(millions of euro)

	30.09.2012		31.12.2011		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	10,689	2.9	8,998	2.4	1,691
Substandard loans	10,586	2.8	9,126	2.4	1,460
Restructured loans	3,107	0.8	3,425	0.9	-318
Past due loans	2,884	0.8	1,147	0.3	1,737
Non-performing loans	**27,266**	**7.3**	**22,696**	**6.0**	**4,570**
Performing loans	330,610	88.2	335,762	89.1	-5,152
Loans represented by performing securities	16,931	4.5	18,286	4.9	-1,355
Loans to customers	**374,807**	**100.0**	**376,744**	**100.0**	**-1,937**

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

As at 30 September 2012, the Group recorded a total for non-performing loans, net of adjustments, 20.1% higher than the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 6% to 7.3%. Coverage of non-performing loans came to 42.6%, lower than the level at the end of 2011 (45.7%), also due to the sale to third parties of a portfolio of doubtful loans in the first quarter for a gross amount of 1,640 million euro at a price - corresponding to the net carrying value - of around 270 million euro. Net of that sale and without the effects of the regulatory changes relating to the classification criteria for past due loans, the coverage ratio of non-performing loans would have been near the values at the beginning of the year, standing at 45%. The coverage ratio is thus adequate to account for expected losses, also considering the guarantees securing the positions.

In further detail, doubtful loans increased by 18.8% to 10.7 billion euro in the first nine months of 2012; the impact on total loans was slightly below 2.9%, with a coverage ratio of 60.5%. Substandard loans also increased (+16%) compared to 31 December 2011 to reach approximately 10.6 billion euro, and their proportion as a percentage of total loans to customers increased to 2.8%, with a coverage ratio rising slightly to 21.1%. Restructured loans stood at 3.1 billion euro, recording a decrease in excess of 9% compared to the end of December 2011. The coverage ratio rose to 18.9%, whilst the impact on total loans declined (0.8%). Past due loans totalled 2.9 billion euro, having more than doubled since the beginning of the year. This increase was mostly due to the effects of the inclusion in this category of loans past due from 90 to 180 days in accordance with the new Bank of Italy regulations, and their coverage ratio stood at 10.1%. Previously, in the absence of other issues related to the loans, these positions were kept under performing loans.

Customer financial assets

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	376,426	47.7	359,991	47.0	16,435	4.6
Direct deposits from insurance business and technical reserves	79,512	10.1	73,119	9.5	6,393	8.7
Indirect customer deposits	412,219	52.3	405,727	53.0	6,492	1.6
Netting [(a)]	-79,297	-10.1	-73,009	-9.5	6,288	8.6
Customer financial assets	**788,860**	**100.0**	**765,828**	**100.0**	**23,032**	**3.0**

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, life business technical reserves and fund-based bonds designated at fair value issued by Group companies and placed with its customers).

As at 30 September 2012 customer financial assets amounted to around 789 billion euro, up by more than 23 billion euro (+3%) on the start of the year due to the increase in both direct and indirect deposits. Direct deposits from banking business increased 16.4 billion euro (+4.6%) due to the positive performance of the main deposit types. Indirect deposits increased by 6.5 billion euro (+1.6%) due to the positive performance of assets under management and assets under administration, which more than offset the total negative net deposits for the period. Direct deposits from insurance business rose by 6.4 billion euro (+8.7%) as a result both of insurance liabilities associated with unit- and index-linked products and with life insurance business technical reserves linked to traditional policies.

Direct deposits from banking business

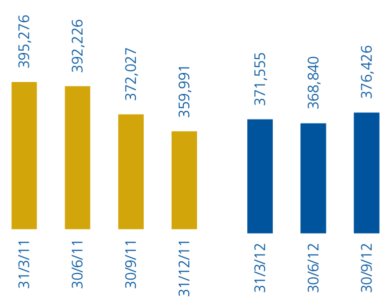
The table below sets out amounts due to customers, securities issued, including those designated at fair value, and securitised capital-protected certificates.

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	189,495	50.4	183,773	51.0	5,722	3.1
Repurchase agreements and securities lending	15,869	4.2	4,640	1.3	11,229	
Bonds	134,142	35.6	132,480	36.8	1,662	1.3
of which designated at fair value (*)	*340*	*0.1*	*698*	*0.2*	*-358*	*-51.3*
Certificates of deposit	8,235	2.2	6,425	1.8	1,810	28.2
Subordinated liabilities	16,130	4.3	19,481	5.4	-3,351	-17.2
Other deposits	12,555	3.3	13,192	3.7	-637	-4.8
of which designated at fair value (**)	*2,749*	*0.7*	*2,286*	*0.6*	*463*	*20.3*
Direct deposits from banking business	**376,426**	**100.0**	**359,991**	**100.0**	**16,435**	**4.6**

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

Quarterly development
Direct deposits from banking business



(*) 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 held for trading.

The total of direct deposits from banking business was up 4.6% since the beginning of the year, due to the positive performance of the main deposit types.

In further detail, current accounts and deposits, driven by the interest shown by customers in forms of time deposits such as savings accounts, showed growth of 5.7 billion euro (+3.1%). Certificates of deposit grew by 1.8 billion euro (+28.2%) due to the effect of increased issues by the international branches, whereas bonds increased by 1.7 billion euro (+1.3%), confirming their importance within the Group's overall funding, and partly offsetting subordinated liabilities, which decreased by nearly 3.4 billion euro (-17.2%), owing in part to own securities in February and August. These performances brought the Group's share of direct deposits on the domestic market, represented by deposits and bonds, to 17.3% at the end of the first nine months of 2012, up 2 percentage points on the figure recorded at the end of December 2011. The method for determining funding market share incorporated certain methodological refinements made possible by information contained in the reply flow that the Supervisory Authority once again made available to banking operators.

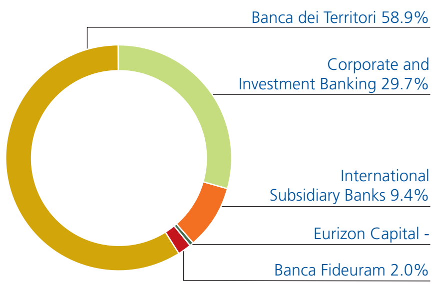
With respect to the remaining forms of funding, it may be remarked that repurchase agreements were up sharply, primarily in connection with the closing of transactions of considerable amounts with institutional counterparties, matched by an increase in such transactions on the assets side, whereas other funding decreased by 637 million euro.

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Banca dei Territori	200,524	197,280	3,244	1.6
Corporate and Investment Banking	101,127	90,528	10,599	11.7
International Subsidiary Banks	31,816	30,667	1,149	3.7
Eurizon Capital	7	9	-2	-22.2
Banca Fideuram	6,891	6,367	524	8.2
Total business areas	**340,365**	**324,851**	**15,514**	**4.8**
Corporate Centre	36,061	35,140	921	2.6
Intesa Sanpaolo Group	**376,426**	**359,991**	**16,435**	**4.6**

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

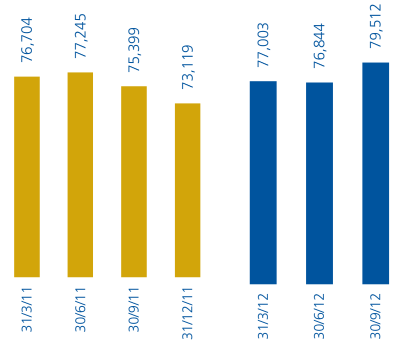


The breakdown of direct deposits by Group business areas showed generally positive performances. Banca dei Territori, which accounts for over half of the total aggregate attributable to the business areas, showed growth compared to the beginning of the year (+1.6%) mainly as a result of the increase in securities funding. Corporate and Investment Banking, including Public Finance, presented an increase of 10.6 billion euro (+11.7%), attributable to the deposits of primary financial institution clients, as well as greater funding repurchase agreement and securities transactions, relating in particular to Banca IMI's placement activity. The International Subsidiary Banks recorded an increase (+3.7%) referring both to dealings with customers and securities issued. Banca Fideuram's funding increased by 8.2% owing to increased liabilities to ordinary customers. The growth recorded by the Corporate Centre (+2.6%) should be read in relation to the increased volumes of operations involving repurchase agreements with Cassa di Compensazione e Garanzia, partly offset by the decrease in securities due to the prevalence of redemptions over new issues on the wholesale market.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**25,938**	**32.6**	**21,955**	**30.0**	**3,983**	**18.1**
Index-linked products	*1,705*	*2.1*	*1,564*	*2.1*	*141*	*9.0*
Unit-linked products	*24,233*	*30.5*	*20,391*	*27.9*	*3,842*	*18.8*
Technical reserves	**53,468**	**67.3**	**50,761**	**69.4**	**2,707**	**5.3**
Life business	53,070	66.8	50,419	69.0	2,651	5.3
Mathematical reserves	*46,402*	*58.4*	*44,895*	*61.4*	*1,507*	*3.4*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*7,287*	*9.2*	*9,053*	*12.4*	*-1,766*	*-19.5*
Other reserves	*-619*	*-0.8*	*-3,529*	*-4.8*	*-2,910*	*-82.5*
Non-life business	398	0.5	342	0.4	56	16.4
Other insurance deposits (***)	**106**	**0.1**	**403**	**0.6**	**-297**	**-73.7**
Direct deposits from insurance business and technical reserves	**79,512**	**100.0**	**73,119**	**100.0**	**6,393**	**8.7**



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.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

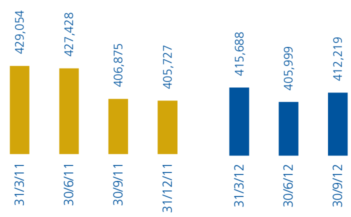
(***) Figures included in the Balance sheet under Due to customers and securities issued.

Direct deposits from insurance business came to 79.5 billion euro at the end of September 2012, up 8.7% from the beginning of the year. Insurance segment financial liabilities designated at fair value recorded growth of 4 billion euro (+18.1%), essentially attributable to the contribution from unit-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 2.7 billion euro (+5.3%). This performance is due to the reduction in deferred liabilities to policyholders, included amongst other reserves, following the recovery of equity and bond market prices, and to the growth of mathematical reserves (+1.5 billion euro), which more than offset the decrease in reserves relating to policies with risk borne by policyholders (-1.8 billion euro).

Indirect customer deposits

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	57,663	14.0	58,310	14.4	-647	-1.1
Open-ended pension funds and individual pension plans	2,902	0.7	2,939	0.7	-37	-1.3
Portfolio management	75,736	18.4	73,279	18.1	2,457	3.4
Life technical reserves and financial liabilities	80,878	19.6	77,322	19.0	3,556	4.6
Relations with institutional customers	10,156	2.4	10,039	2.5	117	1.2
Assets under management	**227,335**	**55.1**	**221,889**	**54.7**	**5,446**	**2.5**
Assets under administration and in custody	**184,884**	**44.9**	**183,838**	**45.3**	**1,046**	**0.6**
Indirect customer deposits	**412,219**	**100.0**	**405,727**	**100.0**	**6,492**	**1.6**



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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, or the contribution of funds established by third parties and managed by Banca Fideuram, whose value is included in assets under administration and in custody.

As at 30 September 2012, the Group's indirect deposits exceeded 412 billion euro, up by 6.5 billion euro (+1.6%) compared to the beginning of the year, owing to increases of 5.4 billion euro in assets under management (+2.5%) and of over 1 billion euro in assets under administration (+0.6%). This result was due to the strong performance of the assets in portfolio, which more than offset the effects of net outflows for the period.

Assets under management, which account for more than half of the total aggregate, came to more than 227 billion euro. The growth from the end of December 2011 was primarily driven by life policies (+3.6 billion euro) and portfolio management (+2.5 billion euro), which more than offset the decrease in the stock of mutual funds (-647 million euro). Despite the positive performance effect, the stock of mutual funds was affected by the redemptions during the period, especially on funds operating on the equity and money markets, resulting in a gradual shift towards the bond segment. In the insurance business, new life insurance business written by Intesa Sanpaolo Vita (the company formed by the merger of the insurance companies Intesa Sanpaolo Vita - formerly Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita Assicurazioni), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 8.5 billion euro for the first nine months of 2012, compared to 8.9 billion euro in total production, including recurring premiums.

The increase in assets under administration compared to the end of December 2011 is attributable to the deposits of institutional customers, while the securities held in retail customers' portfolios remained essentially stable.

Financial assets and liabilities

(millions of euro)

	30.09.2012		31.12.2011		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	70,034	*1,102*	59,963	*1,341*	10,071	16.8
of which derivatives at fair value	*48,206*	*19*	*41,789*	*25*	*6,417*	*15.4*
Financial assets designated at fair value through profit and loss	36,546	*35,486*	34,253	*33,391*	2,293	6.7
Financial assets available for sale	88,317	*41,709*	68,777	*39,194*	19,540	28.4
Investments held to maturity	2,224		2,621		-397	-15.1
Total financial assets	**197,121**	***78,297***	**165,614**	***73,926***	**31,507**	**19.0**
Financial liabilities held for trading (*)	**-53,030**	***-68***	**-46,454**	***-29***	**6,576**	**14.2**
of which derivatives at fair value	*-50,091*	*-68*	*-44,172*	*-29*	*5,919*	*13.4*

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 aggregates.
Total financial assets increased by 19%, primarily due to the growth in financial assets available for sale, which rose from 69 billion euro to 88 billion euro (+28.4%). This performance was attributable to the increase in bonds and other debt securities held by the Parent Company and the Group's insurance companies. Financial assets held for trading recorded a growth of 10.1 billion euro (+16.8%), largely due to a higher value for derivatives (which are also mirrored in the changes in liabilities) and assets designated at fair value recorded a 2.3 billion euro increase (+6.7%). Investments held to maturity, which were marginal in amount, showed a reduction of 15.1%.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 30 September 2012, together with the effects on the income statement and shareholders' equity reserves of the transfer from measurement at fair value to measurement at amortised cost or from measurement at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.09.2012	Fair value at 30.09.2012	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	2,060	1,836	84	36	-3	39
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	1	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	1	-	2
Shares and funds	Financial assets held for trading	Financial assets available for sale	40	40	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	6,027	4,077	484	130	199	132
Loans	Financial assets available for sale	Loans	120	115	4	3	-4	3
TOTAL			**8,247**	**6,068**	**572**	**170**	**192**	**176**

If the Group had not elected to reclassify the foregoing financial assets, a total of 380 million euro in income and 6 million euro in other negative components would have been recognised. No portfolio transfers were made in 2012.

Net interbank position

The net interbank position as at 30 September 2012 came to a negative 38 billion euro, improving by nearly 5 billion euro compared to the again negative figure recorded at the end of 2011 (-42.8 billion euro). The negative imbalance between interbank amounts receivable and payable was affected by loans entered into with the Central European Bank. The use of refinancing through the European Central Bank was maintained at 36 billion euro over the year since March 2012 (from 37.5 billion euro at the end of 2011) and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

Sovereign risk exposure

As at 30 September 2012 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 96 billion euro (of which 33 billion euro in securities held on Group insurance companies' portfolios) and by other loans for 25 billion euro. Among these, the exposure to Italian government securities totalled 80 billion euro, in addition to 23 billion euro represented by loans.

As at 31 December 2011 the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase in the period was mainly attributable to acquisitions of Italian government securities.

The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**8,201**	**38,183**	**1,377**	**152**	**8,364**	**33,257**	**89,534**	**24,073**
Austria	-	4	3	-	51	15	73	-
Belgium	-	36	-	-	18	36	90	50
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	14	-	-	-	-	-	14	-
Czech Republic	-	30	-	-	-	-	30	31
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	7	7	15
France	112	13	-	-	71	211	407	19
Germany	87	77	-	-	949	1,069	2,182	-
Greece	-	-	-	-	-	12	12	-
Hungary	220	1,326	22	-	23	-	1,591	214
Ireland	30	-	-	-	10	92	132	-
Italy	6,972	35,008	252	152	6,602	31,214	80,200	22,795
Latvia	25	-	-	-	-	-	25	63
Lithuania	-	22	-	-	2	-	24	-
Luxembourg	-	19	-	-	232	257	508	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	25	-	-	6	113	144	-
Poland	49	21	-	-	10	-	80	-
Portugal	200	10	-	-	-	75	285	10
Romania	10	113	-	-	3	-	126	18
Slovakia	-	1,372	1,100	-	259	-	2,731	132
Slovenia	-	105	-	-	-	-	105	174
Spain	482	-	-	-	54	122	658	552
Sweden	-	2	-	-	73	29	104	-
United Kingdom	-	-	-	-	1	5	6	-
North African Countries	**-**	**100**	**13**	**-**	**1,273**	**-**	**1,386**	**36**
Algeria	-	-	-	-	-	-	-	36
Egypt	-	100	13	-	1,273	-	1,386	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**50**	**-**	**50**	**-**
Other Countries	**598**	**898**	**368**	**432**	**2,162**	**105**	**4,563**	**1,273**
TOTAL	**8,799**	**39,181**	**1,758**	**584**	**11,849**	**33,362**	**95,533**	**25,382**

(*) Debt securities held by Insurance companies are classified as follows: 67 million euro as loans and receivables, 32,841 million euro as available for sale, 259 million euro among securities designated at fair value through profit and loss and 195 million euro as held for trading.

Exposure to Greece

The total exposure to the Greek government as at 30 September 2012 amounted to 61 million euro in terms of the nominal value recognised to the financial statements at the overall value of 12 million euro, all of which represented by new securities issued by Greece and received in implementation of the agreement of 21 February 2012.

As is common knowledge, implementation of the agreement also involved the allocation of warrants linked to the gross domestic product of the Greek Republic. As at 30 September 2012, the nominal value of these warrants was 84 million euro and they were recognised at a symbolic book value.

With regard to the terms of the agreement reached on 21 February, refer to the details furnished in the Half-year Report as at 30 June 2012.

As at 30 September 2012, the measurement of the new Greek securities, obtained under the exchange and classified in the trading book, resulted in an overall negative impact of 3 million euro, entirely recognised among Income from the insurance business in the reclassified income statement. In addition, there were losses on the sale on the market of securities and warrants of a total of 3 million euro (of which -2 million euro recognised among Profits (Losses) on trading and -1 million euro recognised

among Income from the insurance business). Thus, the new Greek securities and warrants had an overall effect on the reclassified income statement of -6 million euro. This latter figure falls to -3 million euro net of amounts allocated to insurance products under separate management.
The effect of the original position on the income statement remained stable at -32 million euro, of which -3 million euro recognised among Income from the insurance business and -29 million euro among Net adjustments to loans.
Overall, the effects on the income statement recognised in the Quarterly Report as at 30 September 2012 came to -38 million euro (-35 million euro net of amounts allocated to insurance products under separate management), of which -2 million euro to Profits (Losses) on trading, -7 million euro from Income from insurance business (-4 million euro net of amounts allocated to insurance products under separate management) and -29 million euro to Net adjustments to loans.

In addition to the above exposures, the Group has exposures in bonds of other public and private entities resident in Greece for a nominal value of 39 million euro, with a book value of 27 million euro (20 million euro under Loans and receivables and 7 million euro under Financial assets available for sale) and with a fair value of 26 million euro, for which the measurement criteria applied as at previous reporting dates remained unchanged, without any recognition of impairment losses. Furthermore, loans to Greek parties (banks and other customers) have been disbursed for 111 million euro, in addition to margins available on irrevocable credit lines of 33 million euro.

Shareholders' equity

As at 30 September 2012, the Group's shareholders' equity, including net income for the period, came to 49,185 million euro compared to the 47,040 million euro at the end of the previous year. The increase in shareholders' equity of 2.1 billion euro derives from the net income accrued during the period and the reduction of the negative balance of valuation reserves, which fell by 1.3 billion euro, and takes account of the distribution of reserves approved by the Shareholders' meeting in May. No changes in share capital occurred in the first nine months of the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2011	Change in the period	Valuation reserves as at 30.09.2012	
				% breakdown
Financial assets available for sale	-2,352	1,617	-735	37.6
of which: Insurance Companies	*-975*	*902*	*-73*	*3.7*
Property and equipment	-	-	-	-
Cash flow hedges	-933	-301	-1,234	63.1
Legally-required revaluations	344	3	347	-17.7
Other	-357	24	-333	17.0
Valuation reserves	**-3,298**	**1,343**	**-1,955**	**100.0**

As at 30 September 2012 the negative balance of the Group's share of valuation reserves fell to 1,955 million euro from 3,298 million euro reported at the end of 2011. The change for the period was mainly attributable to the appreciation in value of financial assets available for sale (+1.6 billion euro), particularly debt securities held in the insurance companies' portfolios. Cash flow hedges recorded a change of -301 million euro. Other reserves and legally required revaluation reserves recorded marginal increases.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	30.09.2012	31.12.2011
Regulatory capital		
Tier 1 capital	36,675	37,295
of which: instruments not included in Core Tier 1 ratio (*)	*2,546*	*4,498*
Tier 2 capital	10,857	12,201
Minus items to be deducted (**)	-3,356	-3,144
REGULATORY CAPITAL	**44,176**	**46,352**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**44,176**	**46,352**
Risk-weighted assets		
Credit and counterparty risks	261,203	277,498
Market risks	18,406	17,488
Operational risks	24,880	24,825
Other risks (***)	2,726	5,395
RISK-WEIGHTED ASSETS	**307,215**	**325,206**
Capital ratios %		
Core Tier 1 ratio	11.1	10.1
Tier 1 ratio	11.9	11.5
Total capital ratio	14.4	14.3

(*) This caption includes preferred shares, 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 2012, total regulatory capital came to 44,176 million euro, compared to risk-weighted assets of 307,215 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

The decrease in risk-weighted assets recorded during the nine months is mainly attributable to ordinary business operations, optimisation processes, the reduction of the floor established in prudential regulations, following authorisations received from the Supervisory Authority, the elimination or decrease in specific capital requirements for certain subsidiaries and the extension of the use of internal models within the Group. The decrease may also be attributed to the contraction of lending and its different composition for the purposes of capital absorption.
Regulatory capital takes account of ordinary operations as well as the buy back of subordinated securities, and includes an estimate of the dividends to be paid on 2012 net income, the amount of which has been determined on a conventional basis as three-quarters of the dividend proposed for the year 2011 (through the distribution of reserves) corresponding to 0.05 euro per ordinary and savings share.
The Total capital ratio stood at 14.4%, while the Group's Tier 1 ratio was 11.9%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 11.1%.

Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 September 2012 account for this measure (the effect on the Core Tier 1 ratio is +15 basis points).

Breakdown of consolidated results by business area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2012.
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 and the main balance sheet aggregates.
It should be noted that Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
30.09.2012	7,551	3,214	1,633	193	641	155	13,387
30.09.2011	7,120	3,139	1,784	199	588	-310	12,520
% change [(a)]	6.1	2.4	-8.5	-3.0	9.0		6.9
Operating costs							
30.09.2012	-4,157	-738	-872	-82	-255	-512	-6,616
30.09.2011	-4,293	-715	-860	-93	-265	-545	-6,771
% change [(a)]	-3.2	3.2	1.4	-11.8	-3.8	-6.1	-2.3
Operating margin							
30.09.2012	3,394	2,476	761	111	386	-357	6,771
30.09.2011	2,827	2,424	924	106	323	-855	5,749
% change [(a)]	20.1	2.1	-17.6	4.7	19.5	-58.2	17.8
Net income (loss)							
30.09.2012	769	1,065	58	59	120	-383	1,688
30.09.2011	56	900	344	54	69	506	1,929
% change [(a)]		18.3	-83.1	9.3	73.9		-12.5
Loans to customers							
30.09.2012	181,435	146,805	30,070	103	3,499	12,895	374,807
31.12.2011	187,435	149,201	30,676	109	3,439	5,884	376,744
% change [(b)]	-3.2	-1.6	-2.0	-5.5	1.7		-0.5
Direct deposits from banking business							
30.09.2012	200,524	101,127	31,816	7	6,891	36,061	376,426
31.12.2011	197,280	90,528	30,667	9	6,367	35,140	359,991
% change [(b)]	1.6	11.7	3.7	-22.2	8.2	2.6	4.6

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.

[(a)] The change expresses the ratio between 30.09.2012 and 30.09.2011.

[(b)] The change expresses the ratio between 30.09.2012 and 31.12.2011.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.09.2012	30.09.2011	Changes	
			amount	%
Net interest income	4,448	4,301	147	3.4
Dividends and profits (losses) on investments carried at equity	1	-	1	-
Net fee and commission income	2,441	2,439	2	0.1
Profits (Losses) on trading	70	78	-8	-10.3
Income from insurance business	568	290	278	95.9
Other operating income (expenses)	23	12	11	91.7
Operating income	**7,551**	**7,120**	**431**	**6.1**
Personnel expenses	-2,455	-2,485	-30	-1.2
Other administrative expenses	-1,697	-1,801	-104	-5.8
Adjustments to property, equipment and intangible assets	-5	-7	-2	-28.6
Operating costs	**-4,157**	**-4,293**	**-136**	**-3.2**
Operating margin	**3,394**	**2,827**	**567**	**20.1**
Net provisions for risks and charges	-48	-59	-11	-18.6
Net adjustments to loans	-1,821	-1,481	340	23.0
Net impairment losses on other assets	-4	-65	-61	-93.8
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,521**	**1,222**	**299**	**24.5**
Taxes on income from continuing operations	-596	-626	-30	-4.8
Charges (net of tax) for integration and exit incentives	-31	-382	-351	-91.9
Effect of purchase price allocation (net of tax)	-125	-158	-33	-20.9
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**769**	**56**	**713**	

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Loans to customers	181,435	187,435	-6,000	-3.2
Direct deposits from banking business	200,524	197,280	3,244	1.6
Direct deposits from insurance business and technical reserves	66,518	63,457	3,061	4.8

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.

Banca dei Territori closed the first nine months of 2012 with operating income of 7,551 million euro, representing 56% of the Group's consolidated revenues, up 6.1% on the same period in 2011. In further detail, there was growth in net interest income (+3.4%) which had as one of its main causes the greater contribution from the repricing policies for loans to customers and benefits from the hedging of demand loans and deposits, despite lower margins on deposits. Net fee and commission income remained stable (+0.1%). In further detail, growth was seen in commissions on current accounts (including fee and commission income on account credit facilities) and traditional assets under administration, in relation to the remodelling of the conditions on orders executed on behalf of customers according to best execution rules. Fees and commissions on asset management were down, due to the reduction in average assets compared to 2011. Fees and commissions from bancassurance products also decreased, affected by lower volumes of new business, as well as mortgage insurance commissions, as a result of smaller loans, and commissions on payment cards. Other income components reported an increase in income from insurance business, almost doubling (from 290 million euro to 568 million euro), mainly due to the improvement in net investment result, which benefited from a favourable performance of the markets in the third quarter of 2012. The operating performance also reflected an increase in interest income, generated by greater gains realised specifically to, at least partly, offset the reduction in returns from assets under separate management. Operating costs, amounting to 4,157 million euro, fell (-3.2%) compared to the same period of the previous year. The operating margin amounted to 3,394 million euro, up 20.1% compared to the first nine months of 2011. Income before tax from continuing operations increased by 24.5%, amounting to 1,521 million euro, despite greater adjustments to loans (+23%). Taxes on income from continuing operations benefitted from the positive effect of the recognition of claims for reimbursement in relation to the recovery of the deduction of personnel expenses for IRAP tax from the year 2007 onwards. After allocation to the Division of charges for integration of 31 million euro, significantly lower than the 382 million euro in the first nine months of 2011, which included exit incentive costs pursuant to the Framework Agreement of 29 July 2011, and economic effects of purchase price allocation of 125 million euro, net income came to 769 million euro compared to 56 million euro in the same period of the previous year.

Analysing quarterly development, the third quarter of 2012 reported an increase in operating margin (+6.1%) compared to the second quarter. Conversely, income before tax from continuing operations decreased (-10.1%), mainly due to the increase in net adjustments to loans (+15.7%).
The balance sheet figures at the end of September 2012 showed loans to customers of 181,435 million euro, down 3.2% on the previous year-end mainly as a result of the decrease in loans to business and small business customers. In contrast, direct deposits from banking business, amounting to 200,524 million euro, recorded growth (+1.6%) essentially attributable to the increase in funding through securities. Direct deposits from insurance business, amounting to 66,518 million euro, also increased (+4.8%), due to technical reserves and, to a lesser extent, to the financial 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	Manages 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), consumer credit (Moneta and Neos Finance) the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	5,300 branches, including retail, business and private-banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

As important steps in the strategy of reorganisation of brands, aimed at completing the organisational model for Banca dei Territori, which envisages brand standardisation at local level and the simplification of operational units, in the third quarter of 2012, all the Intesa Sanpaolo and CR Firenze branches located in the provinces of Pistoia, Lucca and Massa Carrara were concentrated within the new Cassa di Risparmio di Pistoia e della Lucchesia, formerly Cassa di Risparmio di Pistoia e Pescia. Moreover, in Umbria the creation of a single, regional bank was launched, to be completed by the end of the year. The bank, named "Casse di Risparmio dell'Umbria", controlled by Banca CR Firenze, will encompass the Casse di Risparmio di Spoleto, Foligno, Terni and Città di Castello.

Retail Marketing Department

Investment	During the third quarter of 2012, the offering of investment products has been expanded with the launch of: – six new Italian registered mutual funds with a set duration of five years, including three belonging to the "Sistema Gestione Attiva Settembre 2017", and three belonging to the "Sistema Gestione Attiva Novembre 2017", whose placement was launched in the last few days of the quarter and concluded at the beginning of November. These mutual funds aim to maximise the return on investment through flexible management within the level of risk set for each fund; – "Eurizon Strategia Flessibile 15", an Italian registered fund created through the transformation of "Eurizon Focus Garantito giugno 2012" on termination of its investment cycle. This fund is targeted to customers interested in participating in the opportunities offered by the financial markets, over a time span of six years, using flexible management in allocating investments among sub-funds, geographical areas and currencies; – three new sub-funds of the Luxembourg fund "Investment Solutions By Epsilon". The aim of the first two, "Cedola x 4 Indexed 07/2012" and "Cedola x 4 Indexed 09/2012", is to achieve an annual average return, over the recommended investment horizon, higher than the four-year swap rate set at the beginning of the investment period and to distribute an annual coupon estimated at the beginning of the investment period. The third, "Forex Coupon 2017-5", focused on investing in foreign currency, mainly from emerging markets, with the twofold objective of achieving, over the recommended investment horizon, a return higher than the five-year swap rate and distributing an annual coupon estimated at the beginning of the period of exposure to foreign currencies; – three new sub-funds of the Luxembourg fund "Soluzioni Eurizon": "Cedola Doc Italia 09/2015" and "Cedola Doc 09/2017", through investment in bond instruments issued by Italian issuers, for the first sub-fund, and by European issuers, for the second sub-fund, aim to achieve an average annual return, over the recommended investment horizon, higher than the three-year swap rate plus 0.25% and the five-year swap rate set at the beginning of the investment period with the distribution of an annual coupon, respectively; "Strategia 10/2019", with a minimum investment of 45% of the assets in European and US equities, aims to achieve a return, over a period of about seven years, in line with the return historically achieved by Western equity indices over the long term, reducing the volatility of the investment.
Pension funds	With a view to streamlining the product range, the new range of supplementary pension funds, comprised of "Il Mio Futuro", the Intesa Sanpaolo Vita Individual Pension Plan and "Il Mio Domani", the Intesa Sanpaolo Previdenza SIM Open-ended Pension Fund. Both products are organised into three lines linked to the investment horizon - in addition to a specific line dedicated to managing employee termination indemnities, for the Open-ended Pension Fund - and include the "Life Cycle" mechanism, which activates a process consistent with the period of time remaining until retirement, automatically and gradually moving the investor's position so that it remains suitable to the amount of time remaining.
E-commerce	As a result of an agreement entered into with GTT (Gruppo Torinese Trasporti), Intesa Sanpaolo is the first bank to offer students using an electronic pass the option to directly renew their weekly or monthly passes for the GTT transportation network at one of Intesa Sanpaolo's 7,200 ATMs throughout the country.
Loans	In support of households and businesses, specifically agricultural companies and tradesmen, in the Alto Adige area damaged by the storm which hit Val d'Isarco at the beginning of August, Banca di Trento e Bolzano has allocated a maximum amount of 10 million euro for special loans to all those who incurred damages.

Small Business Marketing Department

Agreements	In support of innovation in the almost 1.7 million companies in the agricultural and agro-food supply chain aiming to meet the increasing demand for agro-food products of high quality and providing excellent service, and promote top-of-the-line agro-food products Made in Italy, through Agriventure, Intesa Sanpaolo signed a partnership agreement with Federalimentare to implement joint actions to boost the competitiveness of this sector, such as business network agreements, synergies between parties involved and the development of new sales channels.
Loans	Ente Cassa di Risparmio di Firenze and Cassa di Risparmio di Firenze, along with the Vobis Association, have promoted the S.V.E.T. (Local Economic Development) Project in favour of local businesses working to regain a competitive edge, taking action in terms of productivity and employment. Ente CRF made a maximum amount of 4.8 million euro available to the Bank, for the purpose of disbursing 5-year fixed-rate medium/long-term loans with particularly advantageous conditions to SMEs and tradesmen operating for at least two years in the provinces of Firenze, Arezzo and Grosseto.

Business Marketing Department

Loans	As a result of an agreement signed with the European Investment Bank, Intesa Sanpaolo has made 50 million euro available for the promotion of projects to implement safety measures and rebuild public and private assets and structures – including schools and hospitals - in the areas of Emilia Romagna and neighbouring provinces in the Lombardy and Veneto regions damaged by the earthquake in May. These funds are the first tranche of a 200 million euro credit line, added to the funds already allocated by the Group to households and businesses which were damaged by the earthquake. The Intesa Sanpaolo Group, in synergy with the European Investment Bank, has made 670 million euro available through Mediocredito Italiano, Leasint and Banca Prossima, for medium/long-term loans to support the Italian production sector, with the goal of combating the effects of the economic crisis and contributing to the launch of recovery. Specifically, as part of this credit line, Mediocredito Italiano manages funding of 360 million euro for SMEs (200 million euro), medium-sized enterprises (50 million euro), renewable energies (50 million euro), business networks (30 million euro) and research and development projects selected by the Ministry of Economic Development, under the "Industry 2015" initiative (30 million euro). In support of agricultural companies in the Polesine area whose crops were damaged due to the summer drought, Cassa di Risparmio del Veneto allocated a maximum amount of 35 million euro for short-term loans at advantageous conditions, also granting the option of a moratorium of up to 12 months on loan instalments, without any changes in terms and conditions.
Services	The range of services offered to customers was expanded with the launch of the "Consulenza alle Imprese", service, which offers long-standing customers assistance and support in strategy selection, company organisation and financial and tax planning, in partnership with companies specialising in corporate consulting. Warrant Group and SCS Azioninnova Consulting were the first two partners selected.
Agreements	To combat the crisis in the construction sector and boost its recovery, Intesa Sanpaolo signed an agreement with ANCE (the National Association of Construction Companies) which provides the association's members with a credit line of 2 billion euro to develop construction projects, with specific focus on enhancing the value of and renovating existing real estate assets. The agreement aims to facilitate construction companies in managing unsold residential units, managing short-term debt, funding new worksites and advancing working capital for works executed on behalf of third parties. Furthermore, it aims at supporting fundamental areas for growth of the sector, such as energy efficiency, business networks, training, internationalisation and innovation.

Intesa Sanpaolo Private Banking

In the first nine months of 2012, Intesa Sanpaolo Private Banking operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and a focused cost reduction policy.
The customer offering was expanded with the commercial launch of the "Advisory" service for mid-level customers, as an addition to the Private Advisory Service already active for top level customers.
During the first nine months of the year, the for-pay advisory service experienced increasing demand, involving 1.2 billion euro in assets, including 150 million euro relating to the "Advisory" service. Once the preparatory activities are completed – including specialised training courses for the commercial network – the service is planned to be gradually extended in the last quarter of the year. Development of the asset management business and expansion of the product range also continued, with the launch of new Eurizon multimanager Private Style funds in September. The response from customers was highly positive, with placements exceeding 500 million euro. Total fund net inflows reached 1.5 billion euro since the beginning of the year. The excellent results in terms of net deposits managed can be added to the usual placement of Group bonds and of certificates by Banca IMI (1.6 billion euro as at 30 September 2012). The third quarter of 2012 showed sharp growth in assets managed, from 75.5 billion euro (+4.7 billion euro since the beginning of the year), as a result of the effective commercial action of the network and the results achieved by asset management products, with specific reference to portfolio management by Intesa Sanpaolo Private Banking. A specific

pilot initiative was successfully completed, aimed at developing synergies with the Business segment of Banca dei Territori in order to identify new opportunities to increase the customer base. The initiative will be extended to the commercial network in the last quarter of 2012. The growth in customer volumes and the cost containment measures have reduced the cost/income ratio and resulted in an additional fall in the "costs/volumes" ratio.
Intesa Sanpaolo Private Banking earned net income of 106 million euro in the first nine months of 2012, up 55.2% compared to the same period of 2011, mainly as a result of the good performance of revenues (+16%), boosted by interest income and net fee and commission income, as well as by cost savings (-8.7%).

Product companies

In the first nine months of 2012, Mediocredito Italiano disbursed a total of around 1.7 billion euro in loans, down 33.2% compared to the same period of 2011, in an economic scenario marked by a decline in investments. Operations of the Specialised Desks, which continuously strengthen their expertise, as a result of new tools supporting preliminary assessment of loan applications, contributed 35% of the amount disbursed (about 618 million euro out of 1,730 million euro). The Energy area showed predominance of the demand for loans, representing about 66% of the total disbursed by the Desks. The continued focus of the entire network of Mediocredito Italiano on value creation was also confirmed. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, due to the use of government guarantees (Fondo Centrale di Garanzia (Central Guarantee Fund), Italian National Innovation Fund, SACE Agreement) with disbursements of about 350 million euro as at 30 September 2012.
Mediocredito operating margin amounted to 142 million euro, up compared to the 129 million euro in the first nine months of 2011. Net income amounted to 7.9 million euro, compared to a loss of 26 million euro in the same period of 2011.

Consumer credit activities are carried out through Moneta and Neos Finance.
During the first nine months of 2012 there was a generalised downturn in disbursements in the consumer credit market. In this context, the Banca dei Territori distribution network disbursed loans relating to the subsidiary Moneta totalling 1,276 million euro, down by 9.2% compared to the same period of the previous year (personal loans -5.9%, loans against assignment of one-fifth of salary -25.8%). With the goal of favouring pro-active contact between managers and customers and improving the likelihood that loan applications will be approved, from July, a model for commercial offering based on new customer profiling, targeting and service logics was implemented. Moneta's income before tax from continuing operations amounted to 43 million euro, compared to 39 million euro in the first nine months of 2011 (+10%). This growth is attributable to an increase in revenues (+14.3%), only partially attenuated by higher operating costs (+7.5%) and the increase in net adjustments to loans (+20.9%).
Neos Finance closed the first nine months of 2012 with a total amount financed of 1,034 billion euro, 25.9% lower than the same period of the previous year.
The operating margin of Neos Finance amounted to 63 million euro, down 20.4% compared to the same period of 2011 due to lower net interest income and net fee and commission income. The higher adjustments to loans carried out during the period resulted in a loss before tax from continuing operations and a net loss.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 11.8 million cards managed by Setefi as at 30 September 2012 are cards issued directly by the Parent Company and the Group banks (+13.4% compared to the same period of the previous year). In the first nine months of 2012 the volume of transactions handled increased (transactions on Setefi POS and transactions on cards issued by Group banks on other POS), as well as the total amount transacted compared to the same period of 2011. The total number of transactions handled (around 462 million) increased 16% compared to the first nine months of 2011; the total amount transacted (about 36 billion euro) was up 12%. Also in the third quarter of the year, Setefi dedicated its usual effort to its operational processes, maintaining steady attention to costs.
In the first nine months of 2012 Setefi recorded a significant increase in operating margin, which rose to 150 million euro (+17.6% compared to the same period of 2011) and in net income, amounting to 101 million euro (+20.5%), as a result of the increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

Banca Prossima

During the first nine months of 2012, Banca Prossima, which operates in the non-profit sector with 66 local branches and 140 specialists distributed across the country, continued to acquire new customers for the Group. As at 30 September 2012, the bank had over 20,700 customers (more than 65% of which new to the Group). Financial assets amounted to 4.2 billion euro, of which 3.3 billion euro in indirect customer deposits and about 900 million euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.4 billion euro. In the first nine months of 2012 the company reported revenues of 28 million euro (+34% compared to the same period of 2011), achieving an operating margin of 11 million euro and net income of about 5 million euro. In the third quarter of 2012, in order to further reinforce Banca Prossima's role as the bank of reference for the Non-Profit Sector, its commercial action focused increasingly on acquiring new customers and developing existing customers. In order to incentivise the use of e-money, following legal measures limiting the use of cash, an initiative was launched to favour the spread of the POS service among non-profit organisations. Lastly, an agreement was signed with the European Investment Bank (EIB), which made available to the Non-Profit Sector, through Banca Prossima, 60 million euro to support education and healthcare, with the goal of mitigating the effects of the crisis and contributing to the launch of recovery.

Insurance and Pension companies

Intesa Sanpaolo Vita, the new insurance company of the Intesa Sanpaolo Group created from the merger by incorporation of Sud Polo Vita, Intesa Sanpaolo Vita (formerly Intesa Vita) and Centrovita Assicurazioni into EurizonVita, has been operational since 1 January 2012. Intesa Sanpaolo Vita offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, private bankers of Banca Fideuram and Sanpaolo Invest for pension products, Neos Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group also includes: Intesa Sanpaolo Assicura, which operates in the non-life business; Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.
In the first nine months of 2012, Intesa Sanpaolo Vita reported income before tax from continuing operations of 452 million euro, a significant increase on the 120 million euro for the same period of 2011, due to the favourable performance of financial margin attributable to the recovery of the financial markets in the third quarter of the year. The operating performance also reflected an increase in interest income, generated by greater gains realised specifically to, at least partly, offset the reduction in returns from assets under separate mangement. At the end of September 2012 the portfolio of policies came to 67,656 million euro, up slightly from the beginning of the year (+0.4%). In the first nine months of 2012, gross life premiums underwritten for both insurance products and policies with investment content amounted to 5,453 million euro, compared to 9,534 million euro in the same period of the previous year. New life business amounted to 5,245 million euro (9,113 million euro in the first nine months of 2011).

As at 30 September 2012 the assets managed by Intesa Sanpaolo Previdenza came to 1,486 million euro, of which 1,225 million euro consisted of open-ended pension funds established by the company (+8.1% compared to the end of December 2011) and 261 million euro of closed-end funds (up by 5.2% from the beginning of the year). Net inflows for the first nine months of the year were positive for both types of funds. At the end of September 2012, Intesa Sanpaolo Previdenza had about 247,150 pension positions under management, of which 145,139 attributable to administration mandates granted by third parties. In September, the company launched a new range of supplementary pension funds for the Intesa Sanpaolo distribution networks. This involves absolute innovation in the way pension plans of Banca dei Territori are offered, both in terms of products and consulting tools, promoted as part of initiatives launched by Intesa Sanpaolo Previdenza, in coordination with the Parent Company, for the purpose of renewing sales of supplementary pension plans.

Corporate and Investment Banking

(millions of euro)

Income statement	30.09.2012	30.09.2011	Changes	
			amount	%
Net interest income	1,751	1,712	39	2.3
Dividends and profits (losses) on investments carried at equity	-36	-2	34	
Net fee and commission income	732	791	-59	-7.5
Profits (Losses) on trading	755	618	137	22.2
Income from insurance business	-	-	-	-
Other operating income (expenses)	12	20	-8	-40.0
Operating income	**3,214**	**3,139**	**75**	**2.4**
Personnel expenses	-316	-309	7	2.3
Other administrative expenses	-418	-401	17	4.2
Adjustments to property, equipment and intangible assets	-4	-5	-1	-20.0
Operating costs	**-738**	**-715**	**23**	**3.2**
Operating margin	**2,476**	**2,424**	**52**	**2.1**
Net provisions for risks and charges	-15	-13	2	15.4
Net adjustments to loans	-860	-337	523	
Net impairment losses on other assets	-65	-493	-428	-86.8
Profits (Losses) on investments held to maturity and on other investments	-	-141	-141	
Income (Loss) before tax from continuing operations	**1,536**	**1,440**	**96**	**6.7**
Taxes on income from continuing operations	-470	-507	-37	-7.3
Charges (net of tax) for integration and exit incentives	-1	-33	-32	-97.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,065**	**900**	**165**	**18.3**

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Loans to customers	146,805	149,201	-2,396	-1.6
Direct deposits from banking business [(a)]	101,127	90,528	10,599	11.7

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

In the first nine months of 2012, the Corporate and Investment Banking Division (including BIIS) earned 3,214 million euro in operating income (representing 24% of the Group’s consolidated figure), up by 2.4% over the same period of 2011.

In detail, net interest income, amounting to 1,751 million euro, reported positive performance (+2.3%) attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italy and Mid Corporate segments) and Mediofactoring, compensating for the negative performance of the average volumes of loans to customers. The interest margin attributable to the assets relating to Banca IMI's HFT & AFS portfolio was also up, having benefited both from an increase in average investments in fixed-income securities and a higher average return. Net fee and commission income, amounting to 732 million euro, recorded a 7.5% decrease attributable to the investment banking segment, especially in reference to the primary market and structured finance which in the first nine months of the previous year had benefited from non-recurring transactions. Within the other segments, commercial banking services generated income, particularly on loans, guarantees and factoring. Profits on trading, amounting to 755 million euro, reported significant growth (+22.2%), attributable to higher revenues in the capital markets and proprietary trading areas. Operating costs amounted to 738 million euro, up 3.2% compared to the same period of 2011, mainly due to higher administrative expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,476 million euro, recorded a 2.1% increase. A similar trend was seen in income before tax from continuing operations, amounting to 1,536 million euro, which reported an increase of 6.7%, due to lower impairment losses on other assets and the lack of impairment losses on financial assets held to maturity, which more than offset higher adjustments to loans, which more than doubled following the impairment of corporate, structured finance and leasing positions. Lastly, net income came to 1,065 million euro, up 18.3% on the first nine months of the previous year.

In quarterly terms, the third quarter of 2012 showed a decrease in operating income (-10.2%) compared to the second quarter, attributable to the negative performance of all its components except net fee and commission income. The decline in revenues, only partly mitigated by savings on operating costs (-5.4%), resulted in a decrease in operating margin (-11.6%). Income before

tax from continuing operations came to 345 million euro, down on the second quarter of 2012, due to higher adjustments to loans. Lastly, net income, at 233 million euro, fell 36.7% compared to the previous quarter.
The Division's intermediated volumes grew compared to the end of December 2011 (+3.4%). In detail, direct deposits from banking business increased 11.7%, mainly attributable to deposits of leading financial institutions, as well as greater repurchase agreement and securities transactions, with specific reference to placement activity by Banca IMI. Loans to customers decreased by 1.6%, resulting from the lesser use of cash by large Italian and international corporate groups, only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. Loans of product companies remain stable overall: specifically, the growth in factoring was offset by the downturn in the use of leasing.

Business	Corporate, Investment Banking and Public Finance, 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 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
Organisational structure	
Banca Infrastrutture Innovazione e Sviluppo	BIIS serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
Large Corporate Italy	The Department is charged with managing relationships with Italian large corporate 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
International	The Department is charged with relationships with international customers and international large corporate customers with subsidiaries in Italy, and is responsible for international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	Responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the companies Leasint and Centro Leasing
Distribution structure	In Italy, it draws on 56 branches dedicated to corporate customers and 16 branches serving public customers. 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

Banca Infrastrutture Innovazione e Sviluppo

In the third quarter of 2012, to support and promote the development of large national infrastructures, BIIS, in collaboration with Banca IMI, continued its activity on large motorway projects including the BreBeMi project (Brescia-Bergamo-Milano motorway), the Milan East outer ring road and the Pedemontana Lombarda motorway. The Bank also provided support to Empedocle, the general contractor awarded the contract to design and construct the modifications to state road 640 in Porto Empedocle, by financing the second lot through the factoring of receivables due to the company from ANAS.
In support of healthcare services, universities and scientific research, a loan was disbursed for renovation works on the Modena General Hospital.
The works for the improvement of public services and utilities in the multiutility sector include the restructuring of the debt granted to Finanziaria Sviluppo Utilities, a holding of the IREN Group, and the loan granted to Bim Gestione Servizi Pubblici, a company which manages the integrated water service in the province of Belluno, for the purchase of hydraulic turbines.
In the alternative, low-environmental-impact energy sector, the bank is involved in various wind farm and photovoltaic projects, specifically in Molise, funded both through the distribution of project finance loans and under financial lease of public property.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities (including the Province of Modena and the Municipalities of La Spezia and Como). The support to the Public Administration and its suppliers by providing advances on the amounts due to the suppliers from Local Authorities was renewed. Numerous agreements were signed for the without recourse factoring of receivables due to suppliers of goods and services to local authorities throughout Italy, including the Basilicata Region, the provinces of Torino, Ravenna, Nuoro, Lecce and the municipalities of Como, Genova, Forlì, Firenze and Grosseto. Furthermore, financing to defence systems suppliers continued as part of the priority investment programmes for national defence subsidised by the government. Lastly, the Bank has granted a loan to Finanziaria Città di Torino, as part of the larger process of enhancing the value of corporate investments, implemented by the municipality of Torino.
In relation to urban and local development projects, the bond loan granted to Società Patrimonio del Trentino, for the creation of the new Trento Science Museum, was renewed.
Net income came to 51 million euro, compared with a loss of 237 million euro in the first nine months of 2011.

Large Corporate Italy and Mid Corporate

In the first nine months of 2012, total volumes for corporate customers in terms of approvals declined, in line with the industry trend. In contrast, volumes used were essentially stable. In particular, the level of use of credit lines was higher than the industry average, confirming the preference for the Group shown by corporate firms.
In the period, despite the difficult market scenario, 61 structured finance and investment banking transactions were undertaken in the Mid-Corporate Department (28 of which in the third quarter), in line with the transactions undertaken in the first nine months of 2011.
During the period the "Start-Up Initiative" continued, through which the Group is maintaining its role in supporting the development of Italian and international technology companies, as an impartial player able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since the launch of the initiative, 44 editions have been held, including 4 during the third quarter, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The initiative was awarded the "Premio ABI per l'innovazione nei servizi bancari" (Italian banking association award for innovation in banking services) and the "Premio dei Premi per l'Innovazione" (award of awards for innovation) by the Italian Government. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for Large and International Corporate customers continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. Lastly, in relation to the development of the Italian agro-food industry, the Bank promoted and organised a meeting focused on innovation, business experience and international growth in the food sector, which was an opportunity for business owners and managers in the sector to compare strategies.

International Unit

The International Unit directly covers 29 countries through 12 wholesale branches, 18 representative offices, 2 subsidiary banks and one advisory firm. In the third quarter of 2012, international coverage was pursued through the strengthening of relations with Italian and international customers, expansion of the offering and coverage of the most attractive markets through a model for managing international network customers that is consistent throughout the Group's international network. During the quarter, the project for the integration of business aimed at international customers into the public finance segment as part of the Department's international network was consolidated.
The Department is responsible for:

- Société Européenne de Banque, which recorded net income of 117 million euro in the first nine months of 2012, up 39.6% on the same period of the previous year, thanks to growth in revenues (+26.8%), attributable to the positive trend in net interest income and profits on trading, which more than offset greater costs;
- Intesa Sanpaolo Bank Ireland, which reported net income of 38 million euro, down 43.5% compared to the same period of 2011, mainly due to the fall in operating income (-37.4%), penalised by lower net interest income.

Global Banking & Transaction

In the third quarter of 2012, in the presence of continuing volatility of sovereign debt, the Bank continued to carefully select loans in terms of both counterparty risk and country risk, with preference given to assets with high returns in terms of fees and low capital absorption, which improved positioning on Italian customers. Sales efforts on international customers continued, with specific attention to Capital Markets.
In the area of Trade Finance, initiatives to support core customers of the Group continued, through partner banks deeply rooted in funded trade finance. Moreover, unfunded trade transactions were executed on the secondary market, specifically in countries where operations on the primary market have decreased, and the analysis of potential business opportunities with Banca IMI on products such as Solutions and Capital Markets (Forex e Commodities) continued. Lastly, the Division specifically provided support to specialist trade finance activities concerning the "Mid International Evolution Project", launched by the Mid Corporate Division, with the goal of promoting the internationalisation of corporate customers in terms of expanding exports and growing investments.
In the Structured Export Finance sector, the strategy to favour medium/long-term Italian operations continued, specifically operations backed by SACE. During the period, 4 mandates were signed, in the roles of Mandate Lead Arranger, SACE agent and SIMEST agent, for Italian export contracts to India, Belarus, Ukraine and Mexico, and a loan for Alitalia was originated, backed by COFACE, the French Government-Owned Insurance Company. Lastly, the commitment to selectively supporting trade flows with emerging markets with a solid track record, through structured transactions, was confirmed. This included, also for 2012, participation in the international pool financing "Receivables Backed Trade Finance Facility" in favour of the Ghana Cocoa Board.
In Transaction Banking, a new organisational and operational model was adopted in the third quarter, with the goal of boosting transactional business, increasing the effectiveness of marketing with customers, including through greater complementarity of actions with managers and a focus on typical core business operations. In this area, marketing campaigns were launched for the purpose of increasing customer penetration, both by providing new products and services and by increasing business volume. The roll-out of the Inbiz Web channel, with the new cash management and trade services offerings, reached 72% of the Division's target customers at the end of September 2012.
Lastly, initiatives of the Local Custody office focused on concentrating assets (and the related operational flows remaining in relation to the sale to State Street) in a limited number of strategic depositories, with a view to reducing management costs and aimed at subsequently repricing the services provided to internal and external customers.

Merchant Banking

As at 30 September 2012, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 3 billion euro, of which 2.5 billion euro was invested in companies and 0.5 billion euro in private equity funds. In September, through subsidiary IMI Investimenti, Intesa Sanpaolo finalised the sale of the entire investment in F2i Reti TLC to the current majority shareholder Fondo F2i, generating a capital gain of 3.1 million euro. Also in September, Intesa Sanpaolo began the gradual market disposal of the investment in Prada, selling approximately 30% of the shares held, with a capital gain of 38 million euro.
Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in the new national Atlante Private Equity fund, dedicated to small and medium-sized enterprises, and in venture capital funds.

Structured Finance

In the third quarter of 2012, Banca IMI acted as MLA (Mandated Lead Arranger) in numerous transactions, both domestic and international, and in various business sectors, to support lending by the Parent Company to corporate customers and by Banca dei Territori. Specifically, these included the loan to CLN, debt restructuring transactions for Almaviva and the Zodiak Group, and the loan to Campari to support its acquisition of the Jamaican LdM.
With regard to Project & Acquisition Finance, Banca IMI contributed to the structuring of international and domestic operations, including credit facilities to support the acquisition by Compagnia Italiana Navigazione of the coastal navigation business line of Tirrenia Navigazione under extraordinary administration. Moreover, Banca IMI provided a significant contribution to the structuring of the coverage of Snam's financial needs, which includes refinancing the debt payable to Eni. The origination and structuring of credit facilities that will be finalised during the last part of 2012 also continued. These include facilities to support the construction of a wind farm in Sicily - a Falck Group initiative, the creation of a solar farm in Romania and the business combination of two groups operating in the cable and satellite TV sector in the Balkans.
In the real estate segment, in the context of uncertainty in the European and Italian real estate markets, Banca IMI maintained a top position in the structuring of loans. Specifically, all market segments were covered by offering a comprehensive range of financial products dedicated to real estate and performing specialist advisory services for the real estate segment: in this area, it is worth noting the acquisition of a mandate for the placement of units of the Boccaccio real estate fund managed by Aedes BPM Real Estate SGR.
Lastly, as regards Loan Agency operations, customer orientation towards the bank was confirmed in the third quarter also through the increase in facility and security agent mandates, expanded by operations in the distressed loans segment. The most significant operations acquired include those for Prysmian Forward Start, Gasplus Spa and Consorzio Reggio Calabria e Sicilia. In the distressed loans segment, worth noting is the activity performed as part of operations for the Valore e Sviluppo, Iter, Inso and Pininfarina Groups.

Proprietary Trading

In the first nine months of 2012, Proprietary Trading posted a significant increase in revenues attributable to the considerable growth in the Hedge Funds portfolio, which more than offset the reduction in the structured credit product segment. The trend in the third quarter of 2012 on the second quarter was also positive.
With regard to structured credit products, Proprietary Trading continued with the strategy aimed at reducing risk exposure: the portfolio amount, taking account of write-downs and write-backs, decreased from 2,772 million euro as at 31 December 2011 to 2,262 million euro as at 30 September 2012. The hedge fund portfolio, which amounted to 702 million euro at the end of September 2012 compared to 665 million euro at the beginning of the year, provided a positive contribution to revenues, as a result of values and movements in the portfolio, especially on long positions in equities in the European financial sector and the mineral segment. The recovery in prices of shares in gold was highly rewarding.

Investment Banking, Capital Market and primary market

In the third quarter of 2012, in a scenario marked by an increase in bond issues in Europe, Banca IMI confirmed its position as the leading market operator in Italy in the debt capital market segment. In relation to corporate issuers, the Bank acted as bookrunner for the issues of Telefonica, FGA Capital, Gas Natural, Enagas, Atlantia and Enel. As for issuers that are financial institutions, Banca IMI acted as the dealer manager for Intesa Sanpaolo in its two buy back and exchange offer and consent solicitation operations on two public sector covered bonds, which resulted in the issue of two new residential mortgage covered bonds.
In the equity capital market segment, Banca IMI maintained its usual selective coverage of the market, with the goal of consolidating its position on the domestic market and growing its presence in the international market. Specifically, the Bank participated in the IPO of Santader Mexico, in the role of co-manager and, in the role of global coordinator, continued structuring and documenting the Camfin bond exchangeable into Pirelli shares and the SEA and Avio IPOs. The Bank also confirmed its leadership in the takeover bid/delisting segment, overseeing the voluntary takeover bid launched by Edizione on Benetton Group shares, in the role of financial advisor and the intermediary responsible for coordinating subscriptions. At the end of September 2012, Banca IMI was specialist or corporate broker for 45 companies listed on the Italian market, confirming its leadership in this market segment.
In its M&A Advisory activity, Banca IMI concluded significant transactions, confirming its leadership in the Italian market. Specifically, in the industrials sector, it assisted Compagnia Italiana di Navigazione in the acquisition of Tirrenia and InvestIndustrial in the sale of Ducati. In the telecommunications sector, it advised on the acquisition by Libero (a subsidiary of Weather Investments) of Matrix from Telecom Italia, and in the healthcare sector, it advised on the acquisition of 66% of Limacorporate by AXA Private Equity and Intesa Sanpaolo. The Bank also acted as financial advisor in several operations whose closing is expected in the fourth quarter, including: in the food & beverage sector, the sale of the Stelliferi Group to Ferrero and, in the financial institutions sector, the acquisition of 20% of Banca del Monte di Lucca by Fondazione Cassa di Risparmio di Lucca. It is noted that a significant amount of the operations where the Bank acted as advisor involved financial investors, mainly private equity funds, confirming the constant oversight and multiproduct coverage on that market segment.

Factoring and Leasing

In the first nine months of 2012 Mediofactoring reported a turnover of 39.3 billion euro, an 8.3% increase on the same period of 2011, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.9%, up from 29.5% at the end of 2011. Compared to 31 December 2011, outstanding receivables, equal to 12.2 billion euro, posted an increase (+3.4%), and period-end loans came to 10.1 billion euro, up 2.6%. The positive performance of operations, deducting seasonal effects, was confirmed by the average volumes of loans, amounting to 7.4 billion euro, up 0.8 billion euro compared to the end of the previous year (+12.3%).
In terms of income statement figures, the operating margin for the first nine months of 2012, amounting to 156 million euro, was up 37.8% compared to the same period of the previous year as a result of the increase in operating income (+29.1%), driven by net interest income which benefited from the positive performance of average volumes and net fee and commission income. Net income amounted to 80 million euro, up 41.1% on the same period of 2011.

Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 19.7% (17.9% at the end of December 2011). The Bank operates in this sector through Leasint and Centro Leasing, which carry out their role within the Leasing Hub, focusing the distribution of products on captive bank customers and non-captive customers, respectively.
In the first nine months of 2012 Leasint entered into 5,389 new contracts, for a total amount of 1,713 million euro (of which 1,239 new contracts in the third quarter, for a total amount of 345 million euro), down compared to the same period of 2011, but in line with the market trend. The amount outstanding of 18.6 billion euro at the end of September was stable compared to the beginning of the year. The property leasing segment recorded a smaller decrease than that posted by competitors, while the energy, automotive and instrumental leasing segments showed a downturn in line with the market. During the period, the marketing of the new product Leasenergy 20-200 continued, to finance photovoltaic plants with capacity of 20 to 200 kw. In terms of income statement figures, Leasint closed the first nine months with a loss of 30 million euro compared to a profit of 35 million euro for the same period of 2011, mainly due to the fall in revenues (-31.8%), penalised by lower interest income (-29.3%) and the significant increase in adjustments to loans (+53.2%).
Centro Leasing entered into contracts for 506 million euro in the first nine months of 2012, a decrease of 8.7% compared to the same period of 2011. Business activities were mainly focused on the development of the energy sector. In terms of income statement figures, the company reported a net loss of 42 million euro (compared to an essential break-even in the same period of 2011), attributable to the reduction in operating income (-23.8%), penalised by lower net interest income (-26.1%) and almost double adjustments to loans.

International Subsidiary Banks

(millions of euro)

Income statement	30.09.2012	30.09.2011	Changes	
			amount	%
Net interest income	1,224	1,305	-81	-6.2
Dividends and profits (losses) on investments carried at equity	22	16	6	37.5
Net fee and commission income	407	429	-22	-5.1
Profits (Losses) on trading	34	67	-33	-49.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-54	-33	21	63.6
Operating income	**1,633**	**1,784**	**-151**	**-8.5**
Personnel expenses	-459	-437	22	5.0
Other administrative expenses	-316	-322	-6	-1.9
Adjustments to property, equipment and intangible assets	-97	-101	-4	-4.0
Operating costs	**-872**	**-860**	**12**	**1.4**
Operating margin	**761**	**924**	**-163**	**-17.6**
Net provisions for risks and charges	-4	2	-6	
Net adjustments to loans	-539	-455	84	18.5
Net impairment losses on other assets	-33	-6	27	
Profits (Losses) on investments held to maturity and on other investments	2	5	-3	-60.0
Income (Loss) before tax from continuing operations	**187**	**470**	**-283**	**-60.2**
Taxes on income from continuing operations	-129	-126	3	2.4
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**58**	**344**	**-286**	**-83.1**

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Loans to customers	30,070	30,676	-606	-2.0
Direct deposits from banking business	31,816	30,667	1,149	3.7

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.

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 2012, the Division’s operating income was down 8.5% compared to the same period of the previous year, amounting to 1,633 million euro. A detailed analysis shows that net interest income came to 1,224 million euro, a decrease compared to 1,305 million euro in the first nine months of 2011 (-6.2%), mainly due to the trends reported by CIB Bank (-87 million euro), Privredna Banka Zagreb (-23 million euro), Banca Intesa Beograd (-15 million euro), VUB Banka (-10 million euro) and Banka Koper (-7 million euro), only partly absorbed by the increase recorded by Bank of Alexandria (+67 million euro). Net fee and commission income, amounting to 407 million euro, recorded a decrease of 5.1%, largely attributable to CIB Bank (-16 million euro). Profits on trading, amounting to 34 million euro, also decreased (-49.3%) due to lower contributions from VUB Banka (-28 million euro) and CIB Bank (-15 million euro), which were only partly offset by increases of Banca Intesa Beograd (+4 million euro), Privredna Banka Zagreb (+3 million euro), Intesa Sanpaolo Bank Romania (+3 million euro) and Bank of Alexandria (+2 million euro).
Operating costs, amounting to 872 million euro, were up slightly (+1.4%) compared to the first nine months of 2011. As a result of the trends in revenues and costs described above, the operating margin fell 17.6% to 761 million euro. Income before tax from continuing operations, amounting to 187 million euro, was down 60.2% compared to the same period of the previous year, mainly due to higher impairment losses on other assets (+27 million euro) and higher net adjustments to loans, increasing from 455 million euro to 539 million euro. The latter were largely influenced by CIB Bank, which was impacted by write-downs on project finance, on the leasing portfolio and on the retail segment, and by Pravex Bank. The Division closed the first nine months of 2012 with net result of 58 million euro (-83.1%).
On a quarterly basis, the third quarter of 2012 reported an operating margin down 4.3% on the second quarter, due to a slight decrease in revenues (-0.9%) and an increase in operating costs (+2.1%). Income before tax from continuing operations decreased in comparison to the second quarter of the year (-43.3%) due to the increase in net adjustments to loans and impairment losses on other assets.

The Division's intermediated volumes increased slightly compared to the end of December 2011 (+0.9%) due to the growth in direct deposits from banking business (+3.7%) both in amounts due to customers and securities issued. Conversely, loans to customers recorded a decrease (-2%).
It is important to note that the Division's negative performance in the first nine months of 2012, compared to the first nine months of 2011 was largely attributable to the situation of the subsidiary CIB Bank, which was severely affected by the current economic downturn in Hungary. These effects were particularly significant due to the subsidiary's size in relation to the International Subsidiary Banks Division as a whole. Consider for example that of the 151 million euro decrease in the Division's revenues 117 million euro related to CIB Bank, which also accounts for 187 million euro of the overall reduction in income before tax of 283 million euro. Lastly, 193 million euro of the 286 million euro decrease in the Division's net income was attributable to the Hungarian bank.

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	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,540 branches in 12 countries

South-Eastern Europe

In the first nine months of 2012, the operating income of the Privredna Banka Zagreb Group amounted to 348 million euro (-6.6% compared to the same period of the previous year), primarily due to the decrease in net interest income. Operating costs fell to 152 million euro (-1.2%), attributable to amortisation and depreciation. As a result the operating margin came to 196 million euro, down 10.4% compared to the first nine months of 2011. Income before tax from continuing operations, amounting to 137 million euro, showed a decrease of 12.9% despite the reduction in adjustments to loans (-8.7%), while net income came to 110 million euro (-13.2%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 105 million euro, down 10.3% compared to the first nine months of 2011. Operating income decreased by 8.5%, mainly due to the performance of net interest income. Operating costs fell by 5.7%, mainly as a result of the decrease in administrative expenses. Net income amounted to 59 million euro, compared to 70 million euro for the same period in the previous year (-15.7%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first nine months of 2012 with an operating margin of 10 million euro, down 5.5% on the same period of 2011. This performance was due to the reduction in operating income (-2%) in relation to substantially stable operating costs (+0.5%). With adjustments to loans down (-13.2%), net income rose to 5.2 million euro from 4.9 million euro in the same period of the previous year.

Intesa Sanpaolo Bank Albania posted an operating margin of 19 million euro, substantially stable compared to the same period of 2011, as a result of revenues and costs essentially in line with those of the first nine months of the previous year. Net income amounted to 10 million euro, down compared to 13 million euro in the same period of 2011, mainly due to higher adjustments to loans (increased from 5 million euro to 7 million euro).

The companies operating in Romania (Intesa Sanpaolo Bank Romania, Banca CR Firenze Romania and ISP Leasing Romania) posted a total operating margin of 10 million euro, up 22.8% on the same period of the previous year. In particular, operating income increased by 2.7% due to growth in profits on trading. Operating costs showed a decrease (-3.1%) attributable to all expense items. The companies closed the first nine months of 2012 with a net loss of 23 million euro, a deterioration compared to the net loss of -17 million euro in the same period of 2011, mainly due to higher adjustments to loans (+3 million euro) and impairment losses on other assets (+3 million euro).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 64 million euro, down 14.5% on the first nine months of 2011 due to the decline in all the main income components. Operating costs largely remained stable. Net income came to 5.2 million euro, down by over 60% compared to the same period of the previous year.

The VUB Banka Group achieved an operating margin of 167 million euro, down 24.8% compared to the first nine months of 2011, due to a decrease in operating income (-14.7%), attributable to the downturn in profits on trading. Operating costs decreased slightly (-0.9%), due to administrative expenses and adjustments. Net income, amounting to 82 million euro compared to 136 million euro in the same period of 2011, was also penalised by the increase in net adjustments to loans.

The increasing pressure on the Hungarian banking system, as a result of both economic difficulties and internal political tensions, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The CIB Bank Group showed operating income of 202 million euro, down 36.8% on the same period of 2011. This performance was attributable to the decreases in net interest income (-40.7%) and net fee and commission income (-18.9%), as well as the lower contribution from profits on trading (-71.7%). Operating costs decreased by 5.4% as a result of savings on all expense items. The increase in adjustments to loans was affected by the write-downs on project finance, the leasing portfolio and the retail segment. Net income showed a negative balance of 245 million euro, compared to a net loss of 52 million euro posted in the first nine months of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa, which operates in Russia, closed the income statement for the first nine months of 2012 with net income of 23 million euro, compared to 17 million euro in the same period of 2011 (+39%). Operating income rose (+1.6%) due to the increases in net fee and commission income (+19.9%) and in profits on trading (+40.4%). Operating costs were substantially stable (+0.2%). Net adjustments to loans of 11 million euro almost halved compared to the same period of 2011, 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 2012 was a positive 1.7 million euro (8 million euro in the same period of 2011) due to a decrease in operating income (-11.3%) across all main components. Operating costs grew by 2.9% compared to the same period of the previous year, due to the increase in personnel expenses. After net adjustments to loans of 34 million euro (compared to 4.9 million euro in the same period of 2011), Pravex Bank closed the first nine months of 2012 with a net loss of 31 million euro, compared to an essential break-even in the same period of the previous year.

Bank of Alexandria posted an operating margin of 116 million euro, up 47 million euro (+68.3%) compared to the same period of 2011. Operating income, amounting to 227 million euro, increased by 70 million euro, mainly due to increase in net interest income (+67 million euro). Operating costs reported growth (+26%), specifically attributable to personnel expenses as a result of rises linked to the renewal of the company labour agreement. After net adjustments to loans of 34 million euro, up 11.6% compared to the same period of the previous year, net income amounted to 56 million euro compared to 30 million euro generated in the same period of 2011.

Other companies

In the first nine months of 2012, the operating income of ISP Card amounted to 26 million euro (+14.1% compared to the same period of the previous year) as a result of the increase in net fee and commission income (+14.8%). Operating costs showed an increase in all expense items, amounting to 24 million (+8.5%). This resulted in operating margin of 1.5 million euro, a significant increase on the first nine months of 2011.

Eurizon Capital

(millions of euro)

Income statement	30.09.2012	30.09.2011	Changes amount	Changes %
Net interest income	1	1	-	-
Dividends and profits (losses) on investments carried at equity	10	10	-	-
Net fee and commission income	177	186	-9	-4.8
Profits (Losses) on trading	2	1	1	
Income from insurance business	-	-	-	-
Other operating income (expenses)	3	1	2	
Operating income	**193**	**199**	**-6**	**-3.0**
Personnel expenses	-37	-39	-2	-5.1
Other administrative expenses	-45	-54	-9	-16.7
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-82**	**-93**	**-11**	**-11.8**
Operating margin	**111**	**106**	**5**	**4.7**
Net provisions for risks and charges	-3	-	3	-
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	**108**	**106**	**2**	**1.9**
Taxes on income from continuing operations	-20	-23	-3	-13.0
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-28	-28	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-1	-1	-	-
Net income (loss)	**59**	**54**	**5**	**9.3**

(millions of euro)

	30.09.2012	31.12.2011	Changes amount	Changes %
Assets under management	139,487	130,497	8,990	6.9

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

Overall, total assets managed by Eurizon Capital as at the end of September 2012 stood at 139.5 billion euro (net of duplications), up 6.9% from the beginning of the year, due to the positive performance of the financial markets, which increased the value of assets under management by about 10 billion euro. However, net outflows for the first nine months of the year were negative (-1.2 billion euro), due to outflows from Italian mutual funds and retail and institutional portfolio management schemes, only partly offset by net inflows achieved by captive insurance products. Eurizon Capital's share of assets under management was 16.9% as at 30 September 2012 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio) compared to 17% at the end of December 2011, due to net inflows that were more penalising than those for the sector nationally.

Operating income for the first nine months of 2012, amounting to 193 million euro, was down 3% on the same period of 2011. Specifically, net fee and commission income decreased (-4.8%), due to lower average assets under management than the first nine months of 2011 and a higher proportion of captive insurance products with low profitability for Eurizon Capital compared to retail funds and portfolio management. Conversely, other operating income recorded a growth trend, as a result of the renegotiation of the fund administration and correspondent bank conditions on Luxembourg funds for 2011 with State Street Bank. Operating costs fell significantly (-11.8%), thanks to cost containment measures, specifically concerning outsourcing and external advisory services costs. As a result of the above revenue and cost trends, the operating margin came to 111 million euro, up 4.7% compared to the same period of the previous year. Eurizon Capital closed the first nine months of 2012 with a net income of 59 million euro, up (+9.3%) compared to the same period in 2011.

On a quarterly basis, the third quarter of 2012 showed an increase of 1.8% in income before tax from continuing operations compared to the second quarter, mainly due to significant savings on operating costs (-10.2%), which more than offset the downturn in operating income (-3.5%).

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
Epsilon Associati SGR	Specialised in managing structured credit 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

As regards Italian mutual funds, in the third quarter of 2012, the liquidity funds "Eurizon Liquidità" and "Epsilon Cash" were restyled and renamed "Eurizon Obbligazioni Italia Breve Termine" and "Epsilon Italy Bond Short Term", respectively. These two funds changed asset class (from money market funds to bond funds) and involve investment in Italian short-term money market securities and bonds, offering higher returns than the MTS Bot index.
From 27 July to 26 September, the funds belonging to the new "Sistema Eurizon Gestione Attiva Settembre 2017" were marketed. This system comprises three funds ("Gestione Attiva Classica", "Gestione Attiva Dinamica" and "Gestione Attiva Opportunità") which aim to optimise returns based on a predefined level of risk and a period of five years. During the placement period, the three funds reported inflows of approximately 1.1 billion euro. In addition, at the end of September, placement began of three new funds in the "Sistema Eurizon Gestione Attiva Novembre 2017", which concluded at the beginning of November.
In international mutual funds, as part of the joint venture Epsilon SGR established between Eurizon Capital and Banca IMI, placement of the range of capital protected products continued within the "Investment Solution by Epsilon" umbrella fund to be managed by Epsilon SGR. Furthermore, in the third quarter, several new sub-funds belonging to the umbrella fund "Soluzioni Eurizon": "Cedola Doc Italia 09/2015", "Cedola Doc 09/2017" and "Strategia 10/2019" were marketed. The first two sub-funds, which invest in fixed-rate bonds, aim to achieve an annual return, over the recommended investment horizon (three to five years), higher than the three-year swap rate plus 0.25% and the five-year swap rate, respectively. The third sub-fund is a flexible product which aims to achieve a return, over a period of seven years, in line with the return historically achieved by equity indices in Western countries over the long term.
Lastly, as part of the umbrella fund "Eurizon Multimanager Stars Fund", two new sub-funds were launched, characterised by a multimanager approach: the "Private Style Income" sub-fund, in the "mixed bond" category, which primarily invests in bond UCI from the best international managers which distribute a regular coupon, and the "Private Style Flexible" sub-fund, in the "flexible" category, which participates in markets in a flexible manner, with significant portfolio diversification.

Banca Fideuram

(millions of euro)

Income statement	30.09.2012	30.09.2011	Changes	
			amount	%
Net interest income	113	100	13	13.0
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	413	427	-14	-3.3
Profits (Losses) on trading	20	21	-1	-4.8
Income from insurance business	96	41	55	
Other operating income (expenses)	-1	-1	-	-
Operating income	**641**	**588**	**53**	**9.0**
Personnel expenses	-102	-113	-11	-9.7
Other administrative expenses	-142	-142	-	-
Adjustments to property, equipment and intangible assets	-11	-10	1	10.0
Operating costs	**-255**	**-265**	**-10**	**-3.8**
Operating margin	**386**	**323**	**63**	**19.5**
Net provisions for risks and charges	-68	-24	44	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-22	-111	-89	-80.2
Profits (Losses) on investments held to maturity and on other investments	-10	7	-17	
Income (Loss) before tax from continuing operations	**286**	**195**	**91**	**46.7**
Taxes on income from continuing operations	-100	-49	51	
Charges (net of tax) for integration and exit incentives	-	-8	-8	
Effect of purchase price allocation (net of tax)	-66	-70	-4	-5.7
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	**120**	**69**	**51**	**73.9**

(millions of euro)

	30.09.2012	31.12.2011	Changes	
			amount	%
Assets under management	57,005	51,977	5,028	9.7
Direct deposits from banking business	6,891	6,367	524	8.2
Direct deposits from insurance business and technical reserves	12,994	9,661	3,333	34.5

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

The scope of the Business Unit includes Banca Sara, following the acquisition of total control from Sara Assicurazioni, but does not include Fideuram Bank (Suisse), as a result of the sale of the investment to Banca Credinvest. Both transactions were completed in June 2011. The figures shown in the table and commented on below were reconstructed on a like-for-like basis, adjusting historical figures as appropriate to reflect the effects of these transactions retroactively.

Assets under management of the Banca Fideuram Group at the end of September 2012 amounted to 77.1 billion euro (of which 57 billion euro in assets under management and 20.1 billion euro in assets under administration), up 8.6% since the beginning of the year. This trend is attributable to the strong performance of the asset market and, to a lesser extent, to net inflows for the period. In detail, assets under management, which represent almost three quarters of the aggregate, were up 9.7% compared to the balance at the end of 2011, thanks to the positive trend in life insurance and mutual funds. Assets under administration also posted an increase compared to the volume as at 31 December 2011 (+5.7%). In the first nine months of 2012 net inflows of assets under management, amounting to 1.5 billion euro, improved by 286 million euro compared to the inflows generated in the same period of 2011. The breakdown of the aggregate shows a positive balance for assets under management of 1.4 billion euro, up 1 billion euro compared to the first nine months of the previous year. Assets under administration showed a positive balance of 31 million euro, compared to 776 million euro in the same period of 2011.
Direct deposits from banking business amounted to 6,891 million euro, up 8.2% from the beginning of the year, as a result of the increase in amounts due to ordinary customers.
Direct deposits from insurance business, amounting to 12,994 million euro, increased significantly (+34.5%), attributable to the trend in financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.

The number of private bankers rose from 4,850 at the end of 2011 to 5,076 as at 30 September 2012.

The operating margin for the first nine months of 2012 stood at 386 million euro, up (+19.5%) compared to the same period of the previous year, driven by the increase in operating income (+9%), and the containment of operating costs (-3.8%).
The performance of revenues is essentially attributable to the increase in net interest income (+13%) and income from insurance business attributable to the insurance company Fideuram Vita, which posted a significant increase during the period, from 41 million euro to 96 million euro. The positive performance of the interest margin is largely attributable to the higher profitability of new investments, achieved through a change in asset allocation and realised without increasing the overall risk profile of the portfolio and, to a lesser extent, to the expansion of lending to customers. Conversely, net fee and commission income reported a downturn (-3.3%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, increased compared to the first nine months of 2011 owing to the stability of assets under management. 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 10% of net fee and commission income, also increased due to the positive results achieved in the placement of securities and insurance products. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives paid and allocated to the network of private bankers and new commercial initiatives to support growth. Provisions for risks and charges almost tripled, mainly due to higher contractual indemnities to private bankers and oversight of the new disputes that arose during the period. Income before tax from continuing operations amounted to 286 million euro, up by 46.7%, benefiting from the significant reduction in impairment losses on other assets, which in the first nine months of 2011 was affected by the impairment of three Greek government bonds in the available for sale portfolio, decided as a result of the worsening of the Greek debt crisis. Profits on investments held to maturity and on other investments reported a negative balance of 10 million euro if compared with the positive balance of 7 million euro in the first nine months of the previous year, which included the capital gain realised on the sale of Fideuram Bank (Suisse).
Lastly, following the attribution of the effects of purchase price allocation on the income statement (66 million euro), Banca Fideuram closed the first nine months of 2012 with net income of 120 million euro (+73.9%).

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 advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 5,076 private bankers

The actions implemented by Banca Fideuram in the third quarter of 2012 were aimed at enhancing the offering in line with the background environment and the specific needs of customers, by leveraging the Group's internal expertise, on one hand, and consolidating partnerships with third-party asset managers, on the other hand. This activity involved both the asset management and the banking segments.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated operating income of 155 million euro in the first nine months of 2012, compared to a loss of 310 million euro for the corresponding period of the previous year. This improvement was mainly the result of profits on trading, amounting to 619 million euro, which benefited from the buyback of subordinated notes on the market. Income before tax from continuing operations amounted to -414 million euro (-665 million euro in the first nine months of 2011) mainly as a result of the recognition of adjustments to loans related to the worsening of the economic situation and due to the absence of the capital gains realised in the first nine months of 2011 (sale of branches to Crédit Agricole). The net loss amounted to 383 million euro, compared to net income of 506 million euro posted in the same period of the previous year. The previous year had taken advantage of tax benefits connected with the realignment of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the third quarter of 2012 Intesa Sanpaolo kept its market shares in Target2 at Italian and European levels steady, confirming its leading role as a critical player in the payments area. In the area of Target2-Securities, the new Eurosystem platform securities settlement which will be launched in June 2015, Intesa Sanpaolo is launching an internal implementation project in which it will be a leading player in the first migration window along with the Italian banking system. Lastly, in September, Phase 1 of X-COM, the new Triparty Repo platform of Monte Titoli, was launched, for which Intesa Sanpaolo is acting as a pilot bank.

In the third quarter of 2012, the money market saw the refinancing rate cut by 25 basis points, reaching a new record low of 0.75%. July's bearish manoeuvre marked the start of a phase of monetary easing of the markets, which continued until the end of September, distinguished by the absence of inflationary pressures. On the other hand, by zeroing last resort deposit rates, the ECB continued its strategy of stimulating the most risk-averse investors to once again favour market investments in place of instruments provided by the Eurosystem to absorb excess liquidity (standing facilities). The above conventional manoeuvres were joined by other initiatives such as the statements by the governor of the ECB at the end of July, concerning protection of the single currency, the decisions of Germany's Constitutional Court on the constitutionality of the European Stability Mechanism and, lastly, in September, the launch of additional quantitative easing operations by the FED and the Bank of Japan, to favour market liquidity. The market consequences of these manoeuvres took the form of a sharp drop in interest rates in all segments and over all instruments, also benefiting Intesa Sanpaolo. With an interbank market still limited to very short-term maturities (even though there has been a slight increase in volumes traded), the easing climate has been seen primarily on the securities market, where the Bank effectively extended maturities and increased issue volumes. Debt with the ECB remained stable in light of the excellent liquidity conditions of the other guaranteed segments ("repurchase agreements") of the money market, which the Bank continued to use for significant amounts.

With regard to the securities portfolio, the third quarter was characterised by coordinated measures to support the eurozone, which allowed Italian government bonds to achieve good performance, both in absolute terms and in terms of the spread against bund. Specifically, following a relative peak of 531 bp in July, the BTP/Bund spread for 10-year bonds began to gradually decrease, reaching values of 360 bp at the end of September. In this scenario, the desk's sovereign operations focused primarily on managing the dynamics of the banking book, by replacing securities in the portfolio that have short and very short residual lives with securities essentially purchased on the primary market with longer maturities and greater spreads. The covered bond segment also benefited from a less risk-adverse climate, with a generalised tightening of spreads and the gradual reopening of the primary market. Therefore, positions with greater risk profiles were lightened, while those which had reached minimum spread levels earned profits. Moreover, the Bank took advantage of the reopening of the primary market to increase the portfolio on longer-term maturities with more profitable spreads, favouring issuers from core countries. In the corporate segment, the long phase of compression of credit spreads of core Europe issuers was interrupted. Thus, the portfolio was slightly reduced, gaining benefits from the issuers most favoured by the flight to quality which occurred in the most acute phases of the European sovereign debt crisis.

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

Funding

Medium-/long-term funding transactions were affected by the general situation described above.
In the domestic market, total issues of Group securities placed in the third quarter of 2012 through its own and third-party networks amounted to 2.4 billion senior bonds, which brought the total for the first nine months to 11.7 billion euro. Among placed securities, there was a prevalence for plain vanilla bonds (81%), while the share of structured financial instruments (mainly index-linked structures) amounted to 18%.
In the third quarter of 2012, approximately 3 billion euro in unsecured institutional funding transactions were completed on international markets, in the form of senior bond issues placed on the Euromarket (the total amount of bond issues placed on international markets during the first nine months of 2012 was 6.5 billion euro). In August, the Bank finalised a second Liability Management transaction on its subordinated and senior notes. The slight recovery in the financial markets in the summer generated greater stability, contributing to an increase in institutional investors' interest in Intesa Sanpaolo.
In structured funding, during the third quarter 2012 a portfolio of residential mortgages amounting to approximately 4 billion euro was assigned in the cover pool of the unrated covered bond programme backed by ISP OBG. As part of this multioriginator programme launched in June, the third series of retained CB eligible for the Eurosystem was issued, in the amount of 4.1 billion euro. The exchange offer for the ISP CB Pubblico covered bond programme was also completed, with the exchange with newly issued securities of the ISP CB Ipotecario covered bond programme, for a final amount of 1.863,250,000 euro and 1,353,028,000 euro for the subsequent series. As part of the ISP CB Ipotecario programme as well, the twelfth series of covered bonds was issued on the institutional market, with a rate of 3.75% and a term of 7 years, for 1 billion euro. This issue marked the Bank's re-entry into the public market of covered bonds, following an absence of approximately a year and a half.

Risk management

BASIC PRINCIPLES

As described in further detail in the annual financial statements, Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Supervisory Board and Management Board with support from specific Committees, particularly the Control Committee and the Lending and Risks Commission, and with the aid of 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. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. 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 contribute to 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 and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.
The credit risk situation differs by portfolio:

- for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective reporting as at 31 December 2011). The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010.
  With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasint and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective June 2010, extended to the former Casse del Centro network banks effective the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012;
- for the SME Retail segment, an application for authorisation of transition to the IRB approach was submitted in October 2012.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.
In April 2012 the Group presented its Annual 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 approaches 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 consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of 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 counterparty's operating segment.

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 which are attributed 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.
With specific reference to "non-performing" past due positions, from 2012 and with effect from the first indications provided by the Supervisory Board, later adopted in prudential regulations, for identification of these positions the Group applies the 90-day limit to all regulatory portfolios, regardless of the respective exposure classes and related credit risk measurement approaches.

(millions of euro)

	30.09.2012			31.12.2011			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	27,087	-16,398	10,689	24,961	-15,963	8,998	1,691
Substandard loans	13,418	-2,832	10,586	11,486	-2,360	9,126	1,460
Restructured loans	3,831	-724	3,107	4,032	-607	3,425	-318
Past due loans	3,207	-323	2,884	1,319	-172	1,147	1,737
Non-performing loans	**47,543**	**-20,277**	**27,266**	**41,798**	**-19,102**	**22,696**	**4,570**
Performing loans	333,273	-2,663	330,610	338,467	-2,705	335,762	-5,152
Performing loans represented by securities	17,332	-401	16,931	19,220	-934	18,286	-1,355
Loans to customers	**398,148**	**-23,341**	**374,807**	**399,485**	**-22,741**	**376,744**	**-1,937**

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

The table above shows an increase for the first nine months of 2012 of non-performing loans, net of adjustments, by 4,570 million euro (+20.1%), 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 6% to 7.3%. Coverage of non-performing loans came to approximately 42.6%, lower than the level at the end of 2011 (45.7%), but nevertheless deemed adequate to account for expected losses, also considering the guarantees securing the positions. The reduction in the percentage coverage, as described in more detail below, is related to both the sale without recourse in the first quarter of a doubtful loan portfolio, which had a high risk provision, and the inclusion under non-performing loans of positions past due by over 90 to 180 days, which have a low level of risk.
In particular, as at 30 September 2012, doubtful loans net of adjustments, reached 10.7 billion euro, up 18.8% since the start of the year. The level of doubtful loans was influenced by a sale without recourse for a net amount of approximately 270 million euro (1,640 million euro gross value). The impact on total loans was 2.9% and the coverage ratio reached 60.5%.
Compared to 31 December 2011, substandard loans increased 16% to 10,586 million euro. Substandard loans as a proportion of total loans to customers increased from 2.4% to 2.8% in the first nine months of the year, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 21.1%, slightly above the figure at the end of the prior year.

Restructured loans stood at 3,107 million euro, down compared to the beginning of the year (-9.3%), with a coverage ratio of 18.9% up compared to around 15% of the prior year. Past due loans increased 1,737 million euro to 2,884 million euro from 1,147 million euro for the prior year. The sharp increase was essentially attributable to the change in regulations that, as already reported above, require exposures past due by more than 90 days to be classified under non-performing loans with effect from 1 January 2012. Previously the limit was 180 days, for Italian counterparties and for certain regulatory portfolios. As a consequence, the percentage of this type of non-performing loans increased to 0.8% from 0.3% at the end of December. The coverage ratio fell to 10.1% from the previous 13%, due to the lower risk on loans past due less than 180 days, which were not included under non-performing loans at the end of the prior year.
Performing exposures decreased slightly, from 336 billion euro in the prior year to 331 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is unchanged compared to the figure recorded at the end of 2011.

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 local government bonds and positions in interest rates and foreign exchange rates, 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.
It should be noted that, effective the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.
The risk profiles validated are: (i) generic/specific on debt securities and 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) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The requirement for stressed VaR is included when determining capital absorption effective 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR had been set as 1 January to 31 December 2011 for both Banca IMI and Intesa Sanpaolo.

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 2012, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the second quarter of 2012. The average VaR for the period totalled 69.1 million euro.

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

(millions of euro)

	2012					2011			
	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	19.6	17.0	25.7	24.6	24.1	25.0	21.4	15.3	18.7
Banca IMI	49.5	41.7	57.1	55.3	72.9	70.6	45.3	21.1	17.4
Total	**69.1**	**63.5**	**75.8**	**79.9**	**97.0**	**95.6**	**66.7**	**36.4**	**36.1**

(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 the two companies 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 2012, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the values for 2011.

(millions of euro)

	2012			2011		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Intesa Sanpaolo	22.8	17.0	27.5	18.5	14.0	26.5
Banca IMI	59.2	41.7	92.1	28.1	13.6	56.5
Total	**82.0**	**63.5**	**115.4**	**46.6**	**30.8**	**82.3**

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

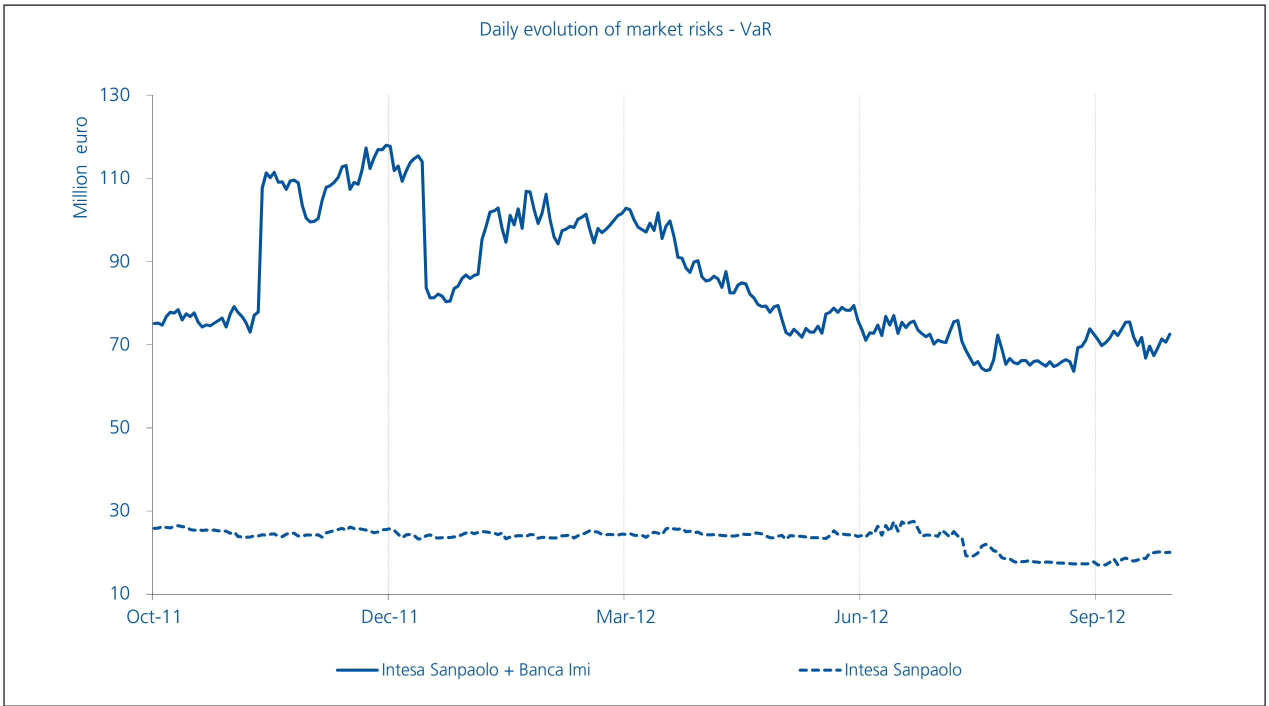
For Intesa Sanpaolo the breakdown of risk profile in the third quarter of 2012 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 40% of total VaR; for Banca IMI credit spread risk was the most significant, representing 66% of total VaR.

Contribution of risk factors to overall VaR [a]

3rd quarter 2012	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	15%	40%	10%	27%	2%	6%	0%
Banca IMI	6%	0%	19%	66%	1%	4%	4%
Total	**4%**	**15%**	**12%**	**58%**	**1%**	**6%**	**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 third quarter of 2012, 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. In the third quarter of 2012, the trend was primarily due to Banca IMI's transactions in Italian government bonds. The risk measurements regarding Intesa Sanpaolo remained constant.



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 bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 4 million euro gain; the opposite scenario would have led to a flat result;
- on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 25 million euro loss, whereas a parallel -25 basis point shift would have led to a 2 million euro loss;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 75 million euro loss, 3 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 78 million euro gain;

– on foreign exchange exposures, the portfolio would have recorded a 4 million euro loss if the Euro were to depreciate against the US dollar (-10%);
– 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	0	4	-2	-25	78	-75	-4	3	-5	5
of which SCP					*3*	*-3*				

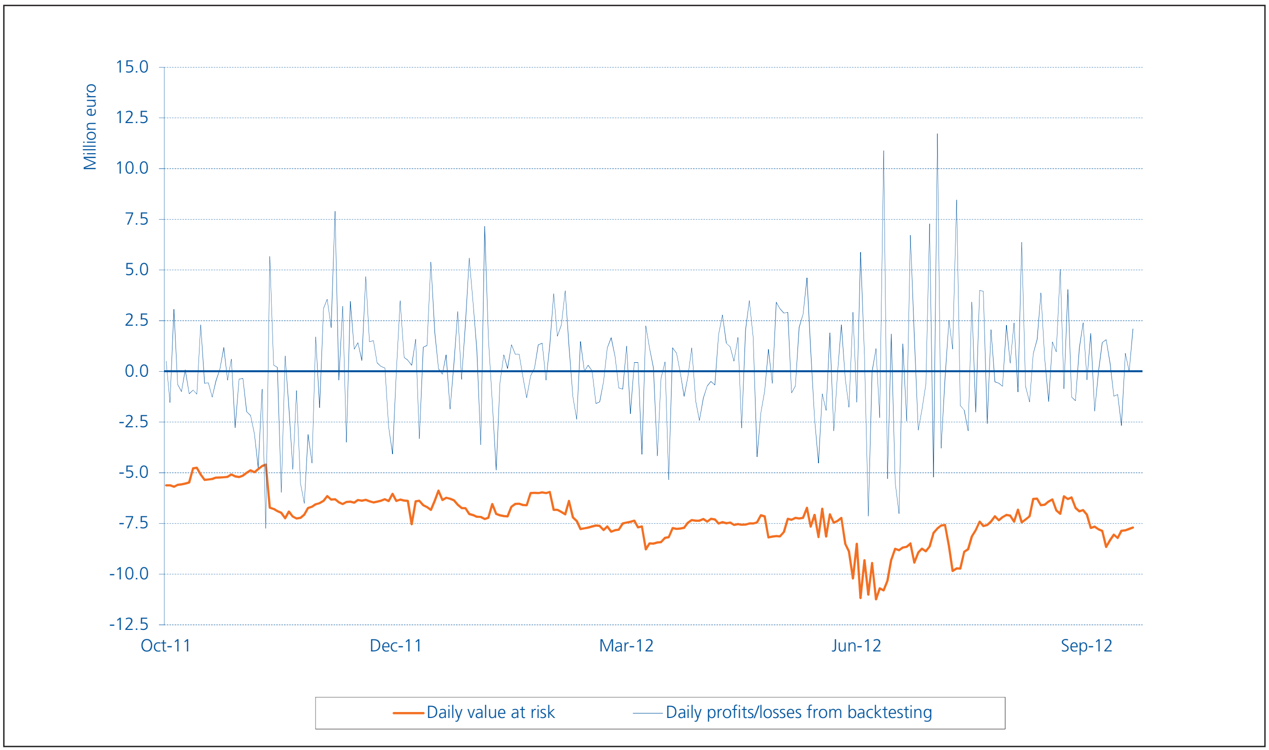
Backtesting

The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:
– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

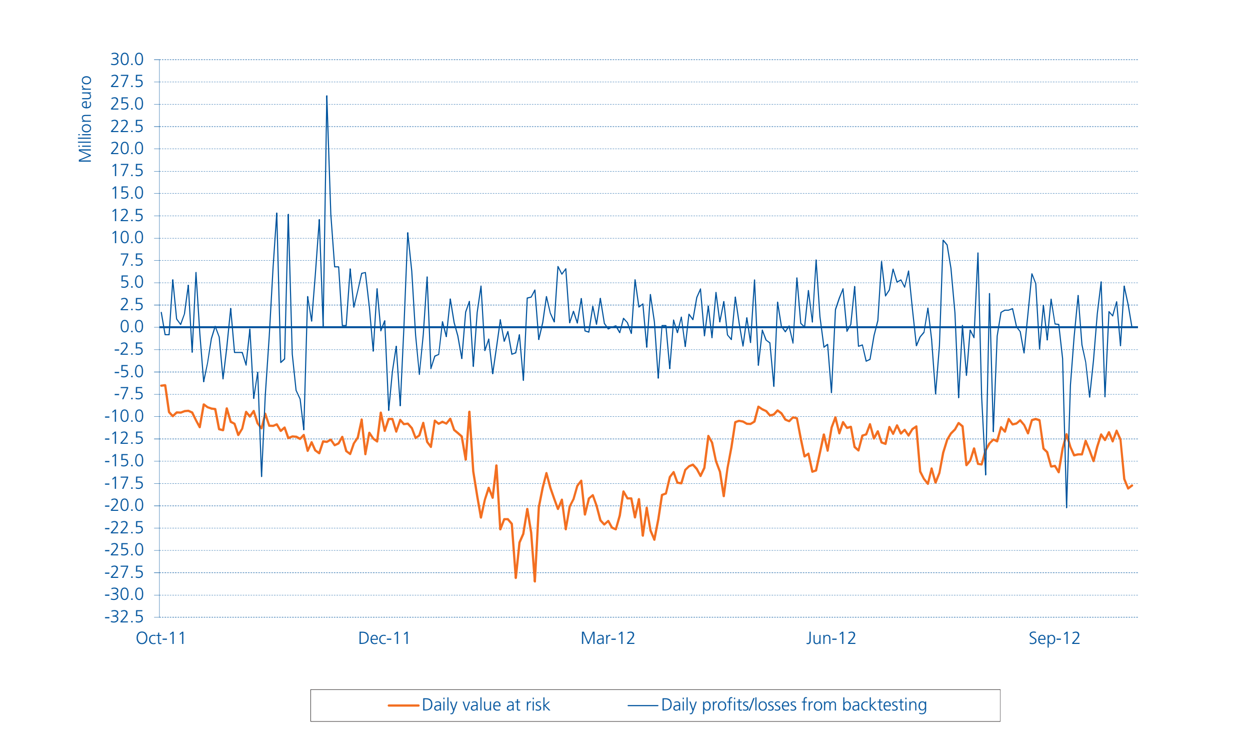
Backtesting in Intesa Sanpaolo

Over the last year, the sole backtesting exception for Intesa Sanpaolo relates to the effects of the sovereign debt crisis witnessed in November 2011.



Backtesting in Banca IMI

Banca IMI three backtesting exceptions refer to the actual P&L data and are related to the period of high volatility that characterised markets in the last year.



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 both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges). 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 2012, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 392 million euro settling at 356 million euro at the end of September, almost entirely concentrated on the euro currency; this figure compares with 482 million euro at the end of 2011.

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 331 million euro at the end of September 2012 (240 million euro at the end of 2011).

Interest rate risk, measured in terms of VaR, averaged 112 million euro during the first nine months of 2012 (139 million euro at the end of 2011), with a maximum value of 130 million euro and a minimum value of 93 million euro. At the end of September 2012 VaR totalled 114 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 90 million euro in the first nine months of 2012 (102 million euro at the end of 2011), with a maximum value of 101 million euro and a minimum value of 68 million euro. The VaR at the end of September 2012 amounted to 89 million euro.

Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to -53 million euro at the end of September 2012.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to procure funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
Preparing an adequate management and monitoring system for this risk is of fundamental importance in maintaining stability, not only at the level of each individual bank, but also of the market at large, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies in 2011, in addition to the significant changes adopted by the Group relating to the management and monitoring of liquidity risk introduced in the "New regulations for the prudential supervision of banks and banking groups" – Circular 263 of 27 December 2006 (4th update of 13 December 2010), describe the tasks of the various company departments, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of a fund internal transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of warning indicators used to activate emergency plans.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).
The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
The Guidelines also call for the periodic preparation of an impact estimate in an acute combined stress scenario (including both stresses specific to the Group and at the level of the market) and the introduction of a target threshold for the stressed short-term gap, aimed at establishing an overall level of reserves suitable to meeting greater cash outflows during a period of time adequate to take the required operating measures to restore the Group to balanced conditions.
The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Department.

In the nine months of 2012, the Group's liquidity position remained within the risk limits established in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.
As at 30 September 2012, the liquidity reserves eligible with the various Central Banks came to 110 billion euro, of which 61 billion euro was unencumbered.

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, details of which can be found in the Annual Report 2011.

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 valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- 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;
- 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.

For additional details on the Fair Value Policy and the fair value measurement criteria see the disclosure provided in the 2011 Annual Report.

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	30.09.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	15,742	53,353	939	10,525	48,076	1,362
2. Financial assets designated at fair value through profit or loss	30,727	5,271	548	27,727	6,335	191
3. Financial assets available for sale	79,617	6,183	2,517	61,878	4,920	1,979
4. Hedging derivatives	-	12,256	2	-	10,247	1
Total	**126,086**	**77,063**	**4,006**	**100,130**	**69,578**	**3,533**
1. Financial liabilities held for trading	4,912	50,007	860	4,250	43,534	956
2. Financial liabilities designated at fair value through profit or loss	-	26,278	-	-	22,653	-
3. Hedging derivatives	-	10,467	16	-	8,567	9
Total	**4,912**	**86,752**	**876**	**4,250**	**74,754**	**965**

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

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio, with percentages stable at approximately 2% for financial assets and approximately 1% for financial liabilities.
At the level of value, there was a decrease in level 3 financial assets held for trading tied to the quotas of UCI held by the Parent Company. In both cases, the increases that characterised Financial assets available for sale and Financial assets designated at fair value through profit or loss were related to the increase in the exposure to structured debt securities.
Approximately 61% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

The sensitivity analysis of level 3 financial assets and liabilities shows a 14 million euro[1] decrease in fair value, relating 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).

[1] 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 2012 the portfolio management strategy continued to focus on gradually reducing exposure. In particular, it should be noted the Group's withdrawal both from risk positions classified as part of the trading book and from those classified as part of the loan portfolio.
In the first nine months of 2012 the contribution to profit/loss remained positive and was up sharply compared to the previous year at 76 million euro. This figure is compared to 55 million euro for the year ended 31 December 2011 and 26 million euro for the first nine months of 2011.

The risk exposure to structured credit products amounted to 2,262 million euro as at 30 September 2012 with respect to funded and unfunded ABSs/CDOs, compared to 2,772 million euro as at 31 December 2011, in addition to an exposure of 24 million euro with respect to structured packages (41 million euro as at 31 December 2011). The reduction in the exposure during the first nine months of 2012 was related to the termination of a funded/unfunded structure partly included within the subprime exposures and partly within the "Contagion Area", with a risk exposure of 67 million euro, and the termination of an unfunded position included within the "Other structured credit products – Super Senior CDO positions" amounting to around 40 million euro. Added to this was the strong decline both in the exposure to securities classified under the Parent Company portfolio, down by approximately 200 million euro, and in the exposure to Banca IMI trading securities which decreased by around 100 million euro.

In the summary tables provided below, table (a) sets out risk exposure as at 30 September 2012 and income statement captions (the sum of realised 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 2011.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2011 were translated to euro at an exchange rate of 1.2939 euro per dollar, and as at 30 September 2012 at an exchange rate of 1.2930 euro per dollar.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	**30.09.2012**		**31.12.2011**	
	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	**9**	**-3**	**28**	**8**
Contagion area	**150**	**35**	**162**	**24**
- Multisector CDOs	57	17	87	11
- Alt-A	-	-	-	-
- TruPS	93	18	75	13
- Prime CMOs	-	-	-	-
Other structured credit products	**647**	**39**	**769**	**12**
- European/US ABS/CDOs	508	26	625	1
- Unfunded super senior CDOs	139	16	155	4
- Other unfunded positions	-	-3	-11	7
Total	**806**	**71**	**959**	**44**
in addition to:				
Positions of funds		10		-5
Total Financial assets held for trading	**806**	**81**	**959**	**39**

(millions of euro)

Loans	**30.09.2012**		**31.12.2011**	
	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	**50**	**1**	**63**	**-1**
- Multisector CDOs	9	1	9	-1
- Alt-A	27	-	36	-
- TruPS	-	-	-	-
- Prime CMOs	14	-	18	-
Other structured credit products	**1,403**	**-**	**1,747**	**7**
- Funded European/US ABS/CDOs	1,063	-5	1,280	-9
- Funded super senior CDOs	340	5	467	16
- Other Romulus funded securities	-	-	-	-
Total	**1,456**	**1**	**1,813**	**6**
in addition to:				
Positions of funds		-		
Total Loans	**1,456**	**1**	**1,813**	**6**
TOTAL	**2,262**	**82**	**2,772**	**45**

(*) 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 its 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)

	30.09.2012		31.12.2011	
	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	20	-6	25	9
Non monoline packages	4	-	16	1
TOTAL	**24**	**-6**	**41**	**10**

From an income statement perspective, structured credit products generated a net income of +76 million euro as at 30 September 2012 compared to + 55 million euro for 2011.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of 75 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” (+16 million euro as at 30 September 2012); the good performance compared to the end of 2011 (+12 million euro) is attributable to the need to adhere to the prices received from counterparties;
- European and US funded ABSs/CDOs (+26 million euro), entirely attributable to profits achieved by the subsidiary Banca IMI from partial disposal of the trading book;
- other unfunded positions (-3 million euro), also included in the area "Other structured credit products";
- the US Subprime exposure (-3 million euro), mainly attributable to funded positions included in the segment;
- instruments included in the “Contagion Area”; in detail, only the Multisector CDOs recorded a positive result of 17 million euro. This result, up by 11 million euro compared to the period ended in December 2011, was due to the improvement of counterparties’ credit risk. The above contribution was in addition to that provided by the correlated fund positions (+10 million euro). Of these, 7 million euro referred to profits achieved as a result of the market sale of fund units included in the segment.

The securities reclassified to the loan portfolio had a positive overall impact on the income statement, as at 30 September 2012, of 1 million euro, of which +8 million euro in gains from the disposal of positions and -7 million representing impairment losses on securities issued by SPEs resident in Spain.
As at 30 September 2012 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:

- 188 million euro in nominal value of securities issued by parties resident in Spain; as at 30 September 2012 these securities had a book value of 158 million euro and a fair value of 113 million euro;
- 36 million euro in nominal value of securities issued by parties resident in Portugal; as at 30 September 2012 these securities had a book value of 31 million euro and a fair value of 18 million euro;
- 8 million euro in nominal value of securities issued by parties resident in Greece; as at 30 September 2012 these securities had a book value of 6 million euro and a fair value of 2 million euro;
- 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 30 September 2012 these securities had a book value of 2 million euro and a fair value of 2 million euro.

The “Monoline risk” and “Non-monoline packages” made a negative contribution of 6 million euro as at 30 September 2012, down compared to the +10 million euro recorded at the end of 2011. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

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 2012, bonds had been reclassified as loans in the amount of 1,265 million euro, compared to a fair value of 1,007 million euro. The corresponding benefit due to reclassification as at 30 September 2012 was 180 million euro (of which the effect on the income statement for the first nine months of 2012 came to -34 million euro), whereas the effect on equity that would have occurred had the securities not been transferred was 78 million euro.

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,261 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 30 September 2012, there were no signs of impairment of the collateral of the structured products in question.

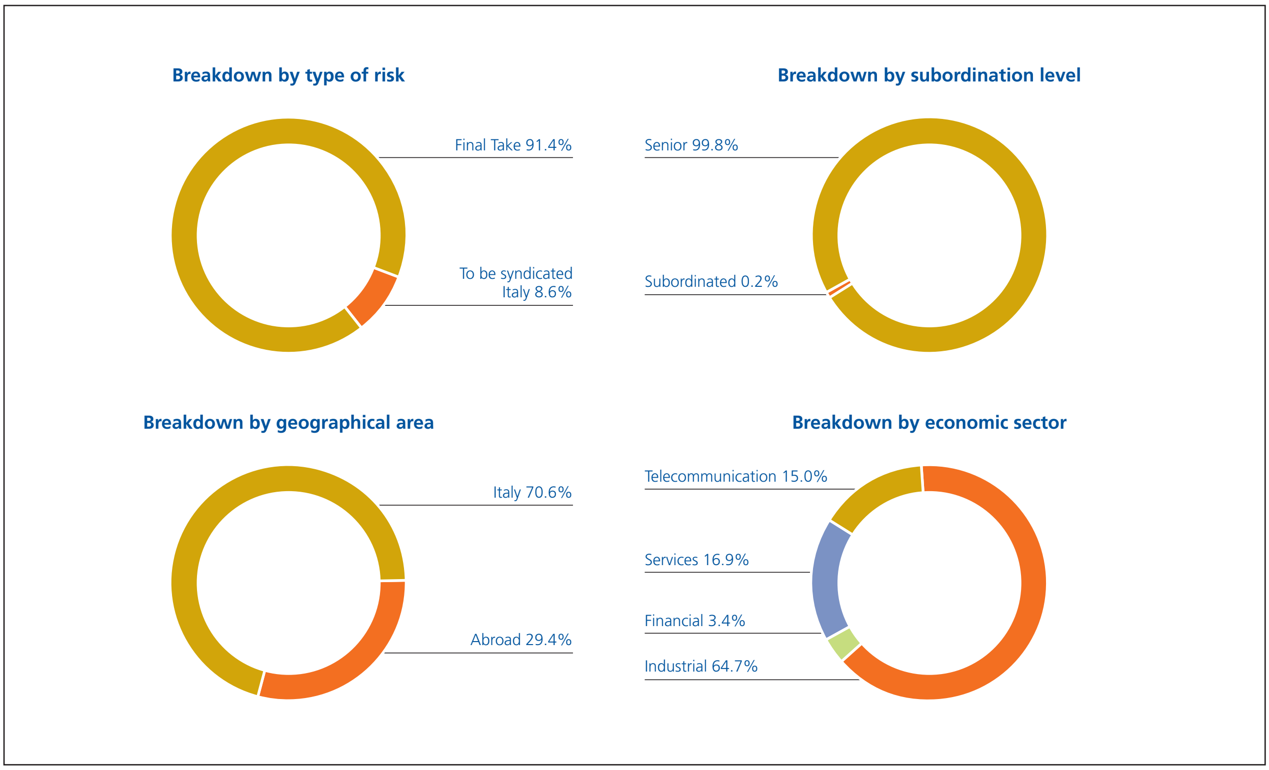
INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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 both for asset securitisations and acquisition of funding through self-securitisations, 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 2011 financial statements.

For information concerning the categories of SPEs subject to disclosure, reference should be made to the 2011 Financial Statements and the Half-yearly Report as at 30 June 2012. There were significant changes only in the SPE Securitisation segment, in which new issues were undertaken in the context of the multi-originator covered bond issuance programme, the exchange offer for issues drawing on the program guaranteed by ISP CB Pubblico was completed, a new issue was undertaken in the context of the programme guaranteed by ISP CB Ipotecario and the first tranche of the Adriano Finance self-securitisation was closed, with repurchase of the underlying mortgage portfolio and redemption of the securities.

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 operations, 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 partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas 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 2012, 115 transactions for a total amount granted of 4,041 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.



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 30 September 2012 totalled 702 million euro, compared to the 665 million euro recorded at the end of 2011. The increase in the first nine months of 2012 was essentially due to new investments, given the stability of the euro/dollar exchange rate compared to 31 December 2011.
As at the same date, there was an overall gain of 43 million euro, a sharp improvement compared to the end of 2011 (-114 million euro) and 30 September 2011 (-98 million euro). It should be noted that the negative performance recorded in the second quarter of 2012 was recouped, and the impact on the income statement returned to the levels of March 2012.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 September 2012, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 7,222 million euro (3,818 million euro as at 31 December 2011). The notional value of such derivatives totalled 57,879 million euro (50,708 million euro as at 31 December 2011). Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 4,371 million euro (1,517 million euro as at 31 December 2011).
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,091 million euro as at 30 September 2012 (960 million euro as at 31 December 2011). The notional value of such derivatives totalled 15,940 million euro (14,751 million euro as at 31 December 2011).
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 2012, this led to a negative effect of 47 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.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes:

- effective from 31 December 2009, for an initial set including the Organisational Units, 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 from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo.

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.

The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the 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 has a centralised function within the Risk Management Department for 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, conducted on an annual basis, allows 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 231/01, 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 (by 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 case); 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 support information 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 this process.
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 third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements. The deductible and limit of liability levels have already been changed and the internal model insurance mitigation component will be 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 1,990 million euro as at 30 September 2012, unchanged compared to 30 June 2012.

Legal risks

Legal risks are thoroughly and individually analysed by both the Parent Company and the individual Group companies concerned. Provisions are 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.
In the third quarter of 2012, 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 2011 financial statements and the Half-yearly Report as at 30 June 2012 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 and labour litigation.

In the interest of full disclosure, it should further be noted that, effective May 2012, certain media outlets published news of criminal investigations of members of the Giacomini family (which controls the industrial group of the same name that manufactures faucet valves) and other individuals in connection with possible illegal exportation of capital abroad.
In further detail, it was brought to light that the Public Prosecutor's Offices of Verbania and Novara have initiated investigations of possible tax offences committed by the Giacomini family and their advisors, and the Public Prosecutor's Office of Milan is investigating possible complicity in money-laundering by certain of the Giacominis' financial advisors and the CEO of our Luxembourg subsidiary, Société Européenne de Banque (SEB), as well as the latter company itself pursuant to Legislative Decree no. 231/01.
In regard to this matter, the Bank has commenced internal inspection reviews to reconstruct the facts, including in reference to a loan disbursed by SEB in December 2008 in the amount of 129 million euro to the Giacomini family in the context of a family buy-out transaction.
To date, the records of which Group companies have been made aware do not permit an evaluation of the existence of liability, and thus of risks and charges.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2011 consolidated financial statements (Part E). Further information regarding developments in the first six months of the year is presented in the Half-yearly Report as at 30 June 2012.
With respect to the third quarter of 2012, two general audits were launched in September: one of Intesa Sanpaolo Group Services for the year 2009, and the other of Banca IMI, concerning capital market, structured finance and loan contract deals entered into abroad in the years 2008, 2009 and 2010.
In addition, it has been alleged that Leasint has issued invoices for non-existent transactions, some from a subjective standpoint and others from an objective standpoint. The state of progress of these proceedings does not permit any predictions of their outcomes.
Lastly, there were no developments with regard to the criminal investigations of the tax matters reported on in the Half-yearly Report with respect to the investigation by the Public Prosecutor's Office of Biella in connection with certain repurchase agreement transactions involving foreign bonds undertaken in 2006 and 2007 by Biverbanca, already a member of the Intesa Group at the time of the disputed events, subject to settlement in December 2011.

INSURANCE RISKS

Life business

The typical risks of a life insurance portfolio can be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
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 Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution 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-month holding period.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life 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 2012, the investment portfolios of Group companies, recorded at book value, amounted to 80,199 million euro. Of these, the share of 46,791 million euro relates to traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 33,408 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative positions, 94.3% of assets, i.e. approximately 44,406 million euro, were bonds, while assets subject to equity risk represented 1.4% of the total and amounted to 644 million euro. The remaining part (2,040 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.3%).
The carrying value of derivatives came to approximately -299 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[2] only amounting to around -16 million euro.

At the end of the first nine months of 2012, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,422 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 86 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 4.2 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 2,086 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 122 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.6% of total investments and A bonds approximately 7.6%. Low investment grade securities (BBB) were approximately 78.8% of the total and the portion of speculative grade or unrated was minimal (approximately 2.3%). Compared to the figure presented in the Half-yearly Report, there was a significance increase in the BBB area due to the downgrade of the Republic of Italy.

[2] 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 70.2% of the total investments, while financial companies (mostly banks) contributed almost 19.8% of exposure and industrial securities made up approximately 4.3%.

At the end of the third quarter of 2012, 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 2,285 million euro, with 1,827 million euro due to government issuers and 458 million euro to corporate issuers (financial institutions and industrial companies).

ACCOUNTING POLICIES

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 30 September 2012" 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 2011, 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 cash 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 conventionally 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;
- 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 a more accurate representation of ordinary operations, goodwill impairment (net of tax) is shown among "non-current" income components.

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 2012, 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 2011 and for the previous quarters of 2012 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.

No significant changes have occurred in the scope of consolidation with respect to the 2011 financial statements.

Intragroup transactions carried out as part of the Group's territorial reorganisation to complete the organisational model for Banca dei Territori, which envisages brand standardisation at local level, mainly involved transfers of branches between Cassa di Risparmio di Firenze and its subsidiaries.
In addition, as part of the rationalisation objectives at Group level, the partial spin-off of Societè Europeenne de Banque, with assignment to ISP Holding International of 100% of the investment in ISP Private Bank (Suisse) and the transfer of Sudameris SA from ISP Holding International to Intesa Sanpaolo, was completed.
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 and, accordingly, without effects at consolidated level.

Other reorganisation transactions will be concluded during the year. At the beginning of July, Intesa Sanpaolo's Management Board decided to proceed with the full spin-off of Banca Infrastrutture Innovazione e Sviluppo (BIIS) to Intesa Sanpaolo (credit, commercial and advisory services) and Leasint (leasing activities previously carried out by BIIS in favour of Public Administration). This transaction, which follows on from the repositioning of BIIS under the CIB Division, will be completed on 1 December, with retroactive accounting and tax effects as at 1 January 2012. Lastly, the merger by incorporation of Banco Emiliano Romagnolo, Finanziaria B.T.B., Intesa Investimenti and SEP Servizi e Progetti into Intesa Sanpaolo has been decided.

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 2011 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 2012 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 2011.
In this respect, no acquisitions were completed in the first nine months of 2012 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

Milan, 13 November 2012

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 2012 corresponds to corporate records, books and accounts.

Milano, 13 November 2012

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).

Nuova Marpesca srl, Casarza Ligure (GE)

Novamont S.p.A., Novara (NO)

ICI Caldaie S.p.A., Zevio (VR)

Adige S.p.A., Levico Terme (TN)

Students in the Villa Amoretti Public Library, Torino.

Casa Famiglia Gigetta, Potenza

The Venturino family, Maretto (AT).

Photo: Alessandro Digaetano