INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AT DECEMBER 31st 2011

<u>Capital ratios</u>: strong capital base, above requirements:
Core Tier 1 ratio at 10.1%; Tier 1 ratio at 11.5%;
9.2% EBA capital ratio even after dividend

<u>Proposed dividend</u> (1): €5 cents cash per ordinary share and savings share,
dividend yield (2) of 3.4% and 4.1% respectively,
equivalent to a payout of 40% on net income pre goodwill impairment

<u>Operating income</u>: up to €16,785m, +1.5% vs €16,529m in 2010, despite adverse environment;
€4,265m for Q4, +12.2% vs €3,800m in Q3

<u>Operating costs</u>: down to €9,137m, -1.8% vs €9,304m in 2010;
€2,366m for Q4, +5.9% vs €2,235m in Q3

<u>Operating margin</u>: up to €7,648m, +5.9% vs €7,225m in 2010,
gaining momentum in Q4 (€1,899m, +21.3% vs €1,565m in Q3)

<u>Income before tax from continuing operations</u>: down to €2,019m due to highly prudent provisions,
-47.8% vs €3,867m in 2010;
a loss of €749m in Q4 vs an income of €224m in Q3

<u>Net income pre goodwill impairment</u>: €2,043m, -24.5% vs €2,705m in 2010;
€114m for Q4, -78.4% vs €527m in Q3

<u>Goodwill impairment</u>: highly prudent impairment of €10,233m in full year and in Q4
(no recurrence in 2010), mainly related to non-cash based operations,
with an accounting effect only and no impact on cash-flow, liquidity, solidity,
capital ratios and future profitability

<u>Net loss post goodwill impairment</u>: €8,190m, vs net income of €2,705m in 2010;
€10,119m for Q4 vs net income of €527m in Q3

<u>Adjusted net income</u> (3): €1,930m, -17.1% vs 2,327m in 2010;
€265m for Q4, -38.5% vs €431m in Q3

Torino, Milano, March 15th 2012 – The Intesa Sanpaolo Management Board in today's meeting approved the draft financial statements, both parent company and consolidated, for the year ended December 31st 2011 (4).

The Group delivered **solid financials** in 2011 despite a difficult market environment and confirmed that it is **well positioned to tackle challenges and exploit opportunities.** The Group remains focused on **sustainable profitability,** which has always been Intesa Sanpaolo's key priority:

- **<u>solid capital position</u>: Core Tier 1 ratio at 10.1%** as at December 31st 2011, and **capital adequacy** confirmed by the EBA exercise, conducted on the September 2011 figures, with a capital ratio of 9.2%, above the 9% threshold;

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(1) Distribution from the Extraordinary Reserve.
(2) At the Intesa Sanpaolo stock price on March 13th 2012.
(3) Methodological note on calculation of adjusted net income on page 16.
(4) Methodological note on the scope of consolidation on page 15.

- **liquidity: liquid assets of 97 billion euro** at the end of December 2011, elevated to 101 billion euro in early March 2012, and **immediate compliance with the Basel 3 Net Stable Funding Ratio requirement,** largely ahead of the 2018 deadline;

- **increasing operating margin:** up 5.9% versus 2010 (up 21.3% in the fourth quarter versus the previous three months), due to:
  - **growing operating income**, with **net interest income on the rise after two consecutive years of contraction**,
  - **reduced operating costs, down for the fifth year in a row**,
  - **high and improving efficiency,** highlighted in the cost/income ratio down to 54.4%;

- **a further strengthening of the balance sheet,** notably **in the fourth quarter** of the year, with
  - **loan loss provisions** of approximately 2 billion euro, approximately 700 million euro of which were non-recurring (in approximate figures, 300 million euro for strengthening the reserve on performing loans, 280 million euro for strengthening the restructured loan coverage and 130 million euro relating to forex mortgages at the Group's subsidiary in Hungary), while registering:
    - □ a **strong reserve built on performing loans** of 2.7 billion euro, equivalent to a conservative 80 basis-point buffer,
    - □ an **improvement** in the **total inflow of new non-performing loans from performing loans**, down 12.5% in 2011 versus 2010,
    - □ an **increase in the coverage ratio of non-performing loans,** up to 45.7% in 2011 versus 43.1% in 2010.

    The **conservative provisioning policy is reflected in the recovery ratio** on doubtful loans which is equal to approximately 150% of their net book value;
  - **non-recurring charges** of approximately 700 million euro in the fourth quarter (in approximate figures, 400 million euro due to the impairment on Greek bonds, 150 million euro relating to the settlement of the dispute with the Italian Revenue Agency, and 120 million euro due to the impairment on the investment in Telco). The income statement for the quarter benefited from a non-recurring contribution of approximately one billion euro as a result of the realignment of intangible assets;

- **resilient net income pre goodwill impairment** for 2011 at 2,043 million euro;

- **very conservative criteria adopted in the impairment test on the 2011 financial statements** given market performance and foreseeable future developments (see section "Outlook for 2012"). This led to a significant **goodwill impairment (**10,233 million euro, i.e. 54% of the total goodwill), mainly related to non-cash based operations, which has an accounting effect only and **no impact on the Group's cash flow, liquidity, capital solidity, Core Tier 1 and EBA ratios, and no effect on future profitability;**

- **strong and sustainable dividends**: today's Management Board has adopted a proposal, to be submitted to the approval of shareholders at the next Ordinary meeting, regarding the distribution of approximately 822 million euro from reserves, paying out 5 euro cents cash on ordinary shares and savings shares. In detail, the proposal envisages the distribution of a total amount of 821,688,616.80 euro drawn on the Extraordinary Reserve, resulting from 5 euro cents on each of the 15,501,281,775 ordinary shares and on each of the 932,490,561 savings shares. The reserve assignment will be subject to the same tax rate as the dividend distribution. The ratio between the payout per share and the Intesa Sanpaolo stock price on March 13th 2012 returns a yield of 3.4% for ordinary shares and 4.1% for savings shares.

  Compared to dates in the financial calendar already disclosed to the market, the reserve assignment, if approved at the Shareholders' Meeting, will start from June 21st 2012 (with coupon presentation on June 18th), instead of May 24th 2012 (with presentation of coupon on May 21st), owing to the postponement of the Shareholders' Meeting from the end of April to the end of May due to the longer time needed to take into account the new provisions included in art. 36 of Legislative Decree "Milleproroghe", which might entail the necessity to integration of the Supervisory Board.

The income statement for the fourth quarter of 2011

The consolidated income statement for the fourth quarter of 2011 [(4)] registered **operating income** of 4,265 million euro, up 12.2% from 3,800 million euro in the previous quarter and up 1.6% from 4,196 million euro in the fourth quarter of 2010.

In the fourth quarter of 2011 **net interest income -** 2,541 million euro **-** was up 2.5% from the 2,479 million euro of the third quarter of 2011 and up 5.5% from the 2,408 million euro of the fourth quarter of 2010.

Net fee and commission income amounted to 1,339 million euro, up 1.3% from 1,322 million euro in the third quarter of 2011. In detail, fees and commissions on commercial banking activities increased by 2.3% and fees and commissions on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) declined by 2.7%. Under the latter, commissions on distribution of insurance products were up 4.8%, those on dealing and placement of securities were up 1.2%, and those on portfolio management were down 7.6%. Net fee and commission income for the fourth quarter of 2011 was down 11.7% from the 1,517 million euro of the fourth quarter of 2010. In detail, fees and commissions on commercial banking activities increased by 0.9%, and those on management, dealing and consultancy activities were down 23.9%. As part of the latter, commissions on dealing and placement of securities were down 32.5%, those on distribution of insurance products down 28.4% and those on portfolio management down 19.2%.

Profits on trading were 173 million euro (despite the negative impact of 73 million euro due to the impairment of derivatives related to Greek risk), compared to losses of 74 million euro in the third quarter of 2011. As part of this, profits from customers decreased from 87 to 69 million euro, those from capital markets and AFS financial assets were 33 million euro, from losses of 22 million euro, those from proprietary trading and treasury activities were 39 million euro, from losses of 119 million euro, and those from structured credit products were 32 million euro, from losses of 20 million euro. The 173 million euro profits on trading for the fourth quarter of 2011 are compared to profits of 120 million euro in the same quarter of 2010, which recorded profits of 99 million euro from customers, 48 million euro from capital markets and AFS financial assets, a loss of 59 million euro from proprietary trading and treasury activities, and profits of 32 million euro from structured credit products. Without the IAS reclassification of financial assets held for trading into loans and receivables and financial assets available for sale made in past years, trading profits for the fourth quarter of 2011 would have recorded a negative pre-tax impact of 40 million euro.

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(4) During the preparation of the interim statement at September 30th 2008, in the wake of the global financial crisis certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category “fair value through profit and loss” into the categories “available-for-sale” or the “held-to-maturity” or “loans and receivables” and out of the category “available-for-sale” into the category “loans and receivables”. The Group, largely basing on the prices at July 1st 2008, reclassified financial assets held for trading of 2,570 million euro into loans and receivables and 72 million euro into financial assets available for sale. If this reclassification had not been made, the profits/losses on trading for the fourth quarter of 2011 would have recorded 40 million euro as negative pre-tax impact (with a negative impact of 11 million euro in full-year 2011, a positive impact of 92 million euro in full-year 2010, 72 million euro in full-year 2009, and a negative impact of 459 million euro in full-year 2008). The Group also reclassified financial assets available for sale of 6,156 million euro into loans and receivables. Without these reclassifications, the shareholders’ equity would have included 2,248 million euro as negative pre-tax direct impact at December 31st 2011 (with a negative impact of 339 million in the fourth quarter of 2011 and 1,102 million euro in 2011).

Income from insurance business increased to 205 million euro from 50 million euro in the third quarter of 2011 and 126 million euro in the fourth quarter of 2010.

Operating costs amounted to 2,366 million euro, up 5.9% from the 2,235 million euro of the previous quarter due to the year-end seasonal effect. Within this increase, personnel expenses were up 1.8%, administrative expenses up 11.8% and adjustments up 11.3%. A 5.3% reduction was recorded versus the 2,498 million euro of the fourth quarter of 2010 which included a 5.7% decrease in personnel expenses, a 6.3% decrease in administrative expenses, and a 4.1% increase in adjustments.

As a result, **operating margin** totalled 1,899 million euro, up 21.3% from the 1,565 million euro of the previous quarter, and up 11.8% from the 1,698 million euro of the same period of 2010. The cost/income ratio was 55.5% for the fourth quarter of 2011 versus 58.8% in the third quarter of 2011, and 59.5% in the fourth quarter of 2010.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to 2,509 million euro versus 1,348 million euro in the third quarter of 2011, and 1,090 million euro in the fourth quarter of 2010. Net provisions for risks and charges amounted to 106 million euro versus 18 million euro in the previous quarter, and 148 million euro in the fourth quarter of 2010. Net adjustments to loans came to 2,043 million euro versus 695 million euro in the previous quarter, and 895 million euro in the fourth quarter of 2010. Approximately 700 million euro of the figure for the quarter was non-recurring (300 million for strengthening the reserve on performing loans, 280 million euro for strengthening the restructured loan coverage, and 130 million euro against forex mortgages at the Group’s subsidiary in Hungary). Net impairment losses on other assets came to 360 million euro (including a 321 million euro impairment on Greek government bonds) compared to the 635 million euro of the previous quarter (which included 593 million euro impairment on Greek government bonds), and 47 million euro in the fourth quarter of 2010.

Profits/losses on investments held to maturity and on other investments registered losses of 139 million euro (including a 119 million euro impairment on the Telco investment) compared to profits of 7 million euro in the third quarter of 2011, and 262 million euro in the fourth quarter of 2010 (which included the 255 million euro positive contribution from the measurement at fair value of the 50% stake of Intesa Vita).

Income/loss before tax from continuing operations registered a loss of 749 million euro (an income of 494 million euro without the main non-recurring items), versus an income of 224 million euro in the previous quarter, and 870 million euro in the fourth quarter of 2010.

Consolidated net income pre goodwill impairment was 114 million euro - down 78.4% versus 527 million euro in the third quarter of 2011, and down 77.4% versus 505 million euro in the fourth quarter of 2010 - after accounting for:

- a tax credit of 976 million euro, as a consequence of a tax benefit of 1,030 million euro from the recognition of deferred tax assets and the substitute tax charge relating to realignment of intangible assets;
- charges (net of tax) for integration and exit incentives of 53 million euro;
- charges from purchase cost allocation (net of tax) of 67 million euro;
- losses pertaining to minority interests of 7 million euro.

Goodwill impairment (net of tax) amounted to 10,233 million euro. No goodwill impairment was recorded in the previous quarter and the fourth quarter of 2010.

Consolidated net loss post goodwill impairment of 10,119 million euro was recorded compared with net income of 527 million euro in the previous quarter, and 505 million euro in the fourth quarter of 2010.

Adjusted net income for the fourth quarter of 2011 - without the main non-recurring items - was 265 million euro, down 38.5% from 431 million euro in the third quarter of 2011, and down 45.4% from 485 million euro in the fourth quarter of 2010.

The income statement for year 2011

The consolidated income statement for 2011 registered **operating income** of 16,785 million euro, up 1.5% from 16,529 million euro in 2010.

As part of this, in 2011 **net interest income** amounted to 9,780 million euro, up 0.8% from 9,700 million euro in 2010.

Net fee and commission income amounted to 5,466 million euro, down 3.3% from the 5,652 million euro of 2010. Fees and commissions on commercial banking activities increased by 1.1% and fees and commissions on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) declined by 7.6%. Under the latter, commissions on dealing and placement of securities were down 13.5% - a decrease also due to the decision not to place third-party bonds in 2011 - those on distribution of insurance products were down 12.6%, and those on portfolio management were down 4.8%.

Profits on trading amounted to 920 million euro (including the negative impact of 73 million euro due to the impairment of derivatives related to Greek risk) versus the 460 million euro of 2010. As part of this, profits from customers were 345 million euro from 356 million euro in 2010, those from capital markets and AFS financial assets rose to 474 million euro from 170 million euro, and included an overall amount of 426 million euro from the sale of the stakes in Prada and Findomestic, profits from proprietary trading and treasury activities were 52 million euro, from a loss of 162 million euro, and profits from structured credit products decreased from 96 million euro to 49 million euro. Without the IAS reclassification of financial assets held for trading into loans and receivables, and financial assets available for sale made in past years, trading profits for 2011 would have recorded a negative pre-tax impact of 11 million euro.

Income from insurance business was 540 million euro compared to the 654 million euro of 2010 which benefited from capital gains on the sale of securities.

Operating costs amounted to 9,137 million euro, down 1.8% compared to the 9,304 million euro of 2010, reflecting decreases of 2% in personnel expenses and 3% in administrative expenses, and a 6% increase in adjustments.

As a result, **operating margin** totalled **7**,648 million euro, up 5.9% from the 7,225 million euro of 2010. The cost/income ratio improved to 54.4% compared to 56.3% for 2010.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to 5,530 million euro from 3,631 million euro in 2010. Net provisions for risks and charges decreased to 218 million euro from 366 million euro in 2010. Net adjustments to loans came to 4,243 million euro versus 3,170 million euro in 2010. Approximately 650 million euro of the figure for 2011 was non-recurring (in approximate figures, 210 million euro for strengthening the reserve on performing loans, 310 million euro for strengthening the restructured loan coverage and 130 million euro against forex mortgages at the Group's subsidiary in Hungary). Net impairment losses came to 1,069 million euro compared to the 95 million euro of 2010, and included impairment of 939 million euro on Greek government bonds.

Profits/losses on investments held to maturity and on other investments registered losses of 99 million euro, including a positive contribution of 123 million euro from the disposal of branches to Crédit Agricole and the impairment of 251 million euro of the Telco investment. The figure for 2011 is compared to profits of 273 million euro in 2010 which included the 255 million euro profit resulting from the measurement at fair value of the 50% stake of Intesa Vita.

Income before tax from continuing operations amounted to 2,019 million euro, down 47.8% from 3,867 million euro in 2010, but down just 7.2% excluding the main non-recurring items.

Consolidated net income pre goodwill impairment was 2,043 million euro, down 24.5% from 2,705 million euro in 2010 (which benefited from a net capital gain of 648 million euro on the sale of the securities services business, included under income after tax from discontinued operations, and a fiscal benefit of 86 million euro from the recognition of deferred tax assets and the substitute tax charges relating to goodwill realignment) - after accounting for:

- a tax credit of 910 million euro, reflecting a tax benefit of 2,130 million euro from the recognition of deferred tax assets and the substitute tax charge relating to realignment of intangible assets;

- charges (net of tax) for integration and exit incentives of 552 million euro. The figure includes non-recurring charges - 506 million euro - fully accounted for in the period relating to the exit of approximately 5,000 employees envisaged in the Master Agreement of July 29th 2011;
- charges from purchase cost allocation (net of tax) of 321 million euro;
- minority interests of 13 million euro.

After **goodwill impairment** (net of tax) of 10,233 million euro (no recurrence in 2010), **consolidated net loss post goodwill impairment** of 8,190 million euro was registered, compared to net income of 2,705 million euro for 2010.

Adjusted net income for 2011 - without the main non-recurring items - was 1,930 million euro, down 17.1% from 2,327 million euro in 2010.

Balance sheet at December 31st 2011

As regards the consolidated balance sheet figures, as at December 31st 2011 **loans to customers** amounted to 377 billion euro, down 0.5% from December 31st 2010 (up 1.8% taking into account average volumes instead of those at the end of the period), following a reduction in loans to large corporates and an increase in loans to small and medium enterprises and mid corporates. Total **non-performing loans** (doubtful, substandard, restructured and past due) - net of adjustments - amounted to 22,696 million euro, up 6.9% from 21,238 million euro at year-end 2010. In detail, doubtful loans increased to 8,998 from 7,394 million euro at year-end 2010; the ratio to total loans was 2.4% (2% at year-end 2010) and the coverage ratio was 64% (the same as at year-end 2010). Total coverage was 127% taking into account **collateral and guarantees** to doubtful loans in addition to specific provisions. Substandard loans increased to 9,126 million euro from 8,966 million euro at year-end 2010. Restructured loans rose to 3,425 million euro from 3,338 million euro at year-end 2010. Past due loans decreased to 1,147 million euro from 1,540 million euro at year-end 2010.

Customer financial assets were 766 billion euro (after netting referred to items included in both direct and indirect customer deposits), down 7.6% from year-end 2010. Under customer financial assets, **direct deposits from banking business** amounted to 360 billion euro, a 10.5% decrease from year-end 2010, principally attributable to institutional customers, and **direct deposits from insurance business and technical reserves** amounted to 73 billion euro, down 2.9% from year-end 2010. Indirect customer deposits amounted to 406 billion euro, down 5% from year-end 2010. **Assets under management** totalled 222 billion euro, down 5.1% from year-end 2010. As for bancassurance, in 2011 new business for life policies amounted to 11.5 billion euro (20.8% lower than in 2010). Assets under administration and in custody amounted to 184 billion euro, down 4.8% from year-end 2010.

As at December 31st 2011, **capital ratios** were 10.1% for the Core Tier 1 ratio (year-end 2010: 7.9%), 11.5% for the Tier 1 ratio (year-end 2010: 9.4%) and 14.3% for the total capital ratio (year-end 2010: 13.2%). Capital ratios have been calculated by applying the Basel 2 Foundation approach and the internal models to residential mortgages and the corporate portfolio (with floor at 85%), and deducting the nominal value of the savings shares. The capital ratios have taken into account the proposed distribution from reserves of approximately 822 million euro. The Core Tier 1 ratio has comprised the 8 basis-point negative impact resulting from of the Basel 2.5 adoption while not including the 6 basis-point benefit from the Tier 1 subordinated note buy-back carried out in February 2012.

The following is the estimated impact on the Group’s capital ratios from **fully phased-in Basel 3**, based on the information available so far. This impact has been calculated by applying the parameters set for 2019 to the financial statements at December 31st 2011. The estimated impact comprises:
- 2.9 billion euro in total deductions from common equity assuming that the equity investment in the Bank of Italy is deducted and considering the expected absorption of deferred tax assets (DTAs) before the full phasing-in of Basel 3,
- an additional 11.2 billion euro of RWAs due to DTAs and investments in banks, financial entities and insurance companies which are below the deduction limit,
- an additional 2.4 billion euro of RWAs due to DTAs included in risks weighted at 100% (relating to loan adjustments and realignment of intangible assets),
- an additional 9.4 billion euro of RWAs due to market risks and counterparty risks.

The estimated total impact of the above on the Core Tier 1 ratio is approximately 150 basis points (the actual impact is subject to the implementation of the relevant regulations). The impact is reduced to 16 basis points considering the benefit from the optimisation actions on capital sources and requirements, as well as the absorption of sovereign risk shock.

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Thanks to the strategic decisions taken, **Intesa Sanpaolo** has confirmed its position as **one of the most solid international banking Groups**. In addition to the asset quality and level of capital ratios commented on above, the Group has continued to build on the following key strengths:

● a **robust liquidity profile** with

- a broad availability of unencumbered assets eligible with Central Banks, corresponding to liquidity of 37 billion euro at year-end 2011 and 50 billion euro as at March 6th 2012. The Group's refinancing operations with the ECB to optimise the cost of funding amounted to 37.5 billion euro at year-end 2011, including 12 billion three-year LTRO, as well as at March 6th 2012, including 36 billion euro three-year LTRO,
- high level of liquid assets (made up of eligible assets unencumbered and eligible assets currently used as collateral) of 97 billion euro at year-end 2011, and 101 billion euro as at March 6th 2012,
- stable and well-diversified sources of funding, with nearly 80% of direct deposits from banking business (including securities issued) generated from retail operations,
- a 1.5 billion eurobond 18-month issue placed on international markets at the end of January 2012, the first senior unsecured benchmark issue from a eurozone peripheral bank in three months with a demand - 70% from foreign investors - exceeding the one billion euro initial target by 150%. On February 20th, a one billion eurobond 5-year issue was placed on international markets, the first senior unsecured benchmark issue from a eurozone peripheral bank with longer maturity than the ECB's three-year LTRO, with a demand - 70% from foreign investors - exceeding the target by 120%;

● **low leverage and an adequate capital base** with

- much lower leverage and one of the best ratios of tangible net shareholders' equity to tangible assets amongst major European banking groups,
- the EBA capital exercise on European Banks based on September 2011 figures confirming that Intesa Sanpaolo does not need any additional capital. Taking into account the capital buffer computed by the EBA against the sovereign risk exposure, the Bank's Core Tier 1 ratio would be at approximately 9.2%, above the 9% ratio target;

● a **low risk profile** with

- the Group's securities portfolio at the end of December 2011 comprising Greek bonds (issued by the central and local governments) of 269 million euro (including a Hellenic Railways bond backed by state guarantee) after the total impairment of approximately 75% of the nominal. The portfolio also included Irish bonds of 233 million euro and Portuguese bonds of 40 million euro;
- notably, as regards Greek government bonds:
  - ▪ those issued by central and local governments amounted to 219 million euro, after impairment of 870 million euro and allocation of approximately 107 million euro charges to insurance products under separate management;
  - ▪ the Hellenic Railways bond amounted to 50 million euro after impairment of 176 million euro.

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The Group had a **gross and net risk exposure** to structured credit products with underlying **US subprime** of 31 million euro as at December 31st 2011. Full and detailed information concerning structured credit products held by the Group is included - as usual - in the report approved by the Management Board.

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As at December 31st 2011, the Intesa Sanpaolo Group's **operating structure** had a total network of 7,246 branches - of which 5,581 were in Italy and 1,665 abroad - with 100,118 employees, 1,719 fewer than at December 31st 2010.

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Breakdown of results by business area

The **Corporate and Investment Banking** Division includes:

- Large Corporate Italy, which presides over relations with large Italian corporates (mainly with a turnover exceeding 500 million euro);
- Mid Corporate, dedicated to Italian corporate customers with a turnover exceeding 150 million euro and mainly up to 500 million euro;
- International, responsible for relations with international corporates. This unit also presides over foreign branches, representative offices and international subsidiaries specialising in corporate banking (Société Européenne de Banque and Intesa Sanpaolo Bank Ireland) and provides specialist assistance in support of the internationalisation of Italian corporates and export development;
- Global Banking & Transaction, responsible for relations with Italian and international financial institutions, management of transactional services related to payment systems, custody and settlement of securities, mainly Italian (local custody);
- Banca IMI, which is in charge of investment banking operations, namely the creation of structured finance products and M&A consultancy services to the Group's clients, capital markets activities for the Group's clients and institutional operators in market making activities;
- Merchant Banking, which operates in the private equity area also through Private Equity International (PEI) and IMI Investimenti companies; and
- Public Finance, which provides services to government, public entities, local authorities, public utilities, general contractors, public and private healthcare organisations. It develops activities related to lending and day-to-day banking operations, project financing, securitisations and financial advisory services, with the aim of fostering cooperation between the public and private sectors and supporting initiatives and investment projects in large infrastructure, healthcare, research and public utilities in general. Public finance activities are performed through Banca Infrastrutture Innovazione e Sviluppo.

The Division also comprises the activities of Leasint, Centro Leasing, Mediofactoring and management of the Group's proprietary trading.

In the fourth quarter of 2011, the Corporate and Investment Banking Division, excluding contribution from Public Finance, registered:

- operating income of 787 million euro, down 4.9% from 828 million euro in the previous quarter;
- operating costs of 236 million euro, up 17.1% from 201 million euro in the previous quarter;
- operating margin of 551 million euro, down 12% from 626 million euro in the previous quarter;
- a cost/income ratio of 30% versus 24.3% in the previous quarter;
- net provisions and adjustments of 585 million euro versus 121 million euro in the previous quarter;
- losses on investments held to maturity and on other investments of 123 million euro, mainly due to the impairment on the Telco investment, versus the one million euro loss of the previous quarter;
- loss before tax from continuing operations of 157 million euro (a 244 million euro income excluding the Telco impairment and the strengthening of the restructured loan coverage) versus an income of 504 million euro in the previous quarter;
- net loss pre goodwill impairment of 164 million euro versus net income of 300 million euro in the previous quarter;
- goodwill impairment (net of tax) of 2,290 million euro versus no recurrence in the previous quarter;
- net loss post goodwill impairment of 2,454 million euro versus net income of 300 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 152 million euro versus 332 million euro in the previous quarter.

In 2011, the Corporate and Investment Banking Division, excluding contribution from Public Finance, registered:

- operating income of 3,664 million euro (including capital gain of 272 million euro on Prada), accounting for 22% of the consolidated operating income (21% in 2010) up 4.7% from 3,500 million euro in 2010;
- operating costs of 892 million euro, up 1.1% from 882 million euro in 2010;
- operating margin of 2,772 million euro, up 5.9% from 2,618 million euro in 2010;
- a cost/income ratio improving to 24.3% from 25.2% in 2010;

- net provisions and adjustments of 930 million euro versus 455 million euro in 2010 - an increase mainly due to the strengthening of the restructured loan coverage by 300 million euro;
- losses on investments held to maturity and on other investments of 265 million euro (including the 251 million euro Telco impairment) versus profits of 12 million in 2010;
- income before tax from continuing operations of 1,577 million euro, down 27.5% from 2,175 million euro in 2010;
- net income pre goodwill impairment of 973 million euro versus 1,414 million euro in 2010;
- goodwill impairment (net of tax) of 2,290 million euro versus no recurrence in 2010;
- net loss post goodwill impairment of 1,317 million euro versus net income of 1,414 million euro in 2010;
- adjusted net income excluding main non-recurring items of 1,202 million euro versus 1,390 million euro in 2010.

In the fourth quarter of 2011, Public Finance registered:
- operating income of 12 million euro versus 55 million euro in the previous quarter, reflecting a negative impact of 73 million on trading profits due to the impairment of derivatives related to Greek risk;
- operating costs of 18 million euro, down 9.7% from 20 million euro in the previous quarter;
- negative operating margin of 6 million euro versus operating margin of 35 million euro in the previous quarter;
- a cost/income ratio of 150% versus 36.4% in the previous quarter;
- net provisions and adjustments of 290 million euro versus 459 million euro in the previous quarter, both quarters being negatively impacted by the impairment on Greek government bonds;
- loss before tax from continuing operations of 295 million euro versus a 424 million euro loss in the previous quarter;
- net loss pre goodwill impairment of 215 million euro versus net loss of 315 million euro in the previous quarter;
- goodwill impairment (net of tax) of 28 million euro versus no recurrence in the previous quarter;
- net loss post goodwill impairment of 243 million euro versus net loss of 315 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 13 million euro versus 21 million euro in the previous quarter.

In 2011, Public Finance registered:
- operating income of 264 million euro, accounting for 2% of the consolidated operating income (the same as in 2010), a 22.8% decrease from 342 million euro in 2010 mainly due to the negative impact of 73 million on trading profits resulting from the impairment of derivatives related to Greek risk;
- operating costs of 76 million euro, down 8.4% from 83 million euro in 2010;
- operating margin of 188 million euro, down 27.4% from 259 million euro in 2010;
- a cost/income ratio of 28.8% versus 24.3% in 2010;
- net provisions and adjustments of 778 million euro (almost entirely due to the impairment on Greek government bonds) versus 44 million euro in 2010;
- loss before tax from continuing operations of 590 million euro versus income of 215 million euro in 2010;
- net loss pre goodwill impairment of 452 million euro versus net income of 138 million euro in 2010;
- goodwill impairment (net of tax) of 28 million euro versus no recurrence in 2010;
- net loss post goodwill impairment of 480 million euro versus net income of 138 million euro in 2010;
- adjusted net income excluding main non-recurring items of 120 million euro versus 141 million euro in 2010.

The **Banca dei Territori** Division comprises:

- retail customers: households (individual customers with financial assets up to 100,000 euro), personal (individual customers with financial assets between 100,000 euro and one million euro), small businesses (enterprises with a turnover under 2.5 million euro and with loan facilities under one million euro);
- SME customers: SMEs with a turnover between 2.5 and 150 million euro; and
- Private customers: individual customers with financial assets exceeding one million euro.

The Division includes Intesa Sanpaolo Private Banking, the Group's company which serves private banking customers, and Banca Prossima, at the service of non-profit entities and operating through the Group's branches with regional centres and a team of specialists. In addition, the Banca dei Territori Division comprises product companies, namely Mediocredito Italiano, the Group's company which specialises in industrial credit, Intesa Sanpaolo Vita and Intesa Sanpaolo Previdenza operating in the insurance and pension business, the fiduciary service company SIREFID, the consumer credit companies Moneta and Neos Finance, and Setefi operating in electronic payments.

In the fourth quarter of 2011, the Banca dei Territori Division registered:

- operating income of 2,526 million euro, up 8.3% from 2,332 million euro in the previous quarter;
- operating costs of 1,440 million euro, up 0.8% from 1,429 million euro in the previous quarter;
- operating margin of 1,086 million euro, up 20.2% from 903 million euro in the previous quarter;
- a cost/income ratio improving to 57% from 61.3% in the previous quarter of 2011;
- net provisions and adjustments of 907 million euro versus 539 million euro in the previous quarter;
- income before tax from continuing operations of 179 million euro versus 365 million euro in the previous quarter;
- net loss pre goodwill impairment of 55 million euro versus net loss of 276 million euro in the previous quarter, which included charges (net of tax) for integration and exit incentives of 381 million euro;
- goodwill impairment (net of tax) of 6,390 million euro versus no recurrence in the previous quarter;
- net loss post goodwill impairment of 6,445 million euro versus net loss of 276 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 94 million euro versus 181 million euro in the previous quarter.

In 2011, the Banca dei Territori Division registered:

- operating income of 9,654 million euro, accounting for 58% of the consolidated operating income (60% in 2010), down 2.8% from 9,929 million euro in 2010 but up 5% excluding contribution from interest rate risk hedging and income from insurance business;
- operating costs of 5,733 million euro, down 2.9% from 5,903 million euro in 2010;
- operating margin of 3,921 million euro, down 2.6% from 4,026 million euro in 2010 – an increase of 30.1% excluding contribution from hedging of interest rate risk and income from insurance business;
- a cost/income ratio of 59.4% versus 59.5% in 2010;
- net provisions and adjustments of 2,513 million euro versus 2,255 million euro in 2010;
- income before tax from continuing operations of 1,408 million euro, down 20.5% from 1,770 million euro in 2010;
- charges (net of tax) for integration and exit incentives of 456 million euro versus 51 million euro in 2010;
- net loss pre goodwill impairment of 22 million euro versus net income of 734 million euro in 2010;
- goodwill impairment (net of tax) of 6,390 million euro versus no recurrence in 2010;
- net loss post goodwill impairment of 6,412 million euro versus net income of 734 million euro in 2010;
- adjusted net income excluding main non-recurring items of 704 million euro versus 1,015 million euro in 2010.

Eurizon Capital, the company specialised in providing collective and individual asset management products to the Group's internal banking networks, is developing increasingly effective synergies with the Banca dei Territori Division. The company is also focused on strengthening its presence in the "open architecture" segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls Eurizon Capital (Luxembourg), a company specialised in managing Luxembourg mutual funds with low tracking error. It also controls Epsilon Associati, a company specialised in managing structured products and mutual funds using quantitative methods which is 51% owned by Eurizon Capital and 49% owned by Banca IMI. Eurizon Capital owns a 49% stake in a Chinese asset management company, Penghua Fund Management.

In the fourth quarter of 2011, Eurizon Capital registered:
- operating income of 66 million euro, up 4.5% from 63 million euro in the previous quarter;
- operating costs of 27 million euro, down 7.8% from 29 million euro in the previous quarter;
- operating margin of 40 million euro, up 14.9% from 34 million euro in the previous quarter;
- a cost/income ratio improving to 40.9% from 46% in the previous quarter;
- income before tax from continuing operations of 37 million euro, up 7.9% from 34 million euro in the previous quarter;
- net income pre goodwill impairment of 21 million euro versus 17 million euro in the previous quarter;
- goodwill impairment (net of tax) of 373 million euro versus no recurrence in the previous quarter;
- net loss post goodwill impairment of 352 million euro versus net income of 17 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 31 million euro versus 27 million euro in the previous quarter.

In 2011, Eurizon Capital registered:
- operating income of 266 million euro, accounting for 2% of the consolidated operating income (the same as in 2010), down 7.6% from 288 million euro in 2010;
- operating costs of 120 million euro, down 9.1% from 132 million euro in 2010;
- operating margin of 146 million euro, down 6.4% from 156 million euro in 2010;
- a cost/income ratio improving to 45.1% from 45.8% in 2010;
- income before tax from continuing operations of 144 million euro, down 5.3% from 152 million euro in 2010;
- net income pre goodwill impairment of 76 million euro versus 77 million euro in 2010;
- goodwill impairment (net of tax) of 373 million euro versus no recurrence in 2010;
- net loss post goodwill impairment of 297 million euro versus net income of 77 million euro in 2010;
- adjusted net income excluding main non-recurring items of 114 million euro, in line with the 115 million euro of 2010.

The **International Subsidiary Banks** Division is responsible for activities in foreign markets where the Group is operational through commercial banking subsidiaries and associates. The Division provides guidelines, coordination and support to subsidiaries abroad mainly active in retail banking. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This Division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the Corporate and Investment Banking Division's branches and offices abroad. The Division is made up of three Departments which are in charge of the different geographical areas where it operates: i) the SEE Area which includes the banking subsidiaries in South-Eastern Europe, Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania; ii) the CEE Area which includes the banking subsidiaries in Central-Eastern Europe, Banka Koper in Slovenia, VUB Banka in Slovakia and CIB Bank in Hungary; iii) the CIS & South Mediterranean Area which includes the banking subsidiaries: Banca Intesa in the Russian Federation, Pravex-Bank in Ukraine and Bank of Alexandria in Egypt.

In the fourth quarter of 2011, the International Subsidiary Banks Division registered:
- operating income of 599 million euro, up 0.6% from 596 million euro in the previous quarter;
- operating costs of 311 million euro, up 9.5% from 284 million euro in the previous quarter;
- operating margin of 289 million euro, down 7.5% from 312 million euro in the previous quarter;
- a cost/income ratio of 51.9% versus 47.7% in the previous quarter;
- net provisions and adjustments of 265 million euro versus 136 million euro in the previous quarter. The decrease would be 1.5% excluding the 131 million euro loss on forex mortgages at the Group's subsidiary in Hungary;
- losses on investments held to maturity and on other investments of one million euro versus profits of one million euro in the previous quarter;
- income before tax from continuing operations of 23 million euro versus 178 million euro in the previous quarter;
- net income pre goodwill impairment of 45 million euro versus 130 million euro in the previous quarter;
- goodwill impairment (net of tax) of 1,152 million euro versus no recurrence in the previous quarter;
- net loss post goodwill impairment of 1,107 million euro versus net income of 130 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 122 million euro versus 141 million euro in the previous quarter.

In 2011, the International Subsidiary Banks Division registered:
- operating income of 2,383 million euro, accounting for 14% of the consolidated operating income (the same contribution as in 2010), up 3.5% from 2,302 million euro in 2010;
- operating costs of 1,171 million euro, in line with the 1,169 million euro in 2010;
- operating margin of 1,212 million euro, up 7% from 1,133 million euro in 2010 (up 8.9% excluding the exchange rate effect);
- a cost/income ratio improving to 49.1% from 50.8% in 2010;
- net provisions and adjustments of 723 million euro versus 606 million euro in 2010. A 2.3% decrease would be recorded excluding the 131 million euro loss on forex mortgages at the Group's subsidiary in Hungary;
- profits on investments held to maturity and on other investments of 4 million euro versus 5 million euro in 2010;
- income before tax from continuing operations of 493 million euro, down 7.3% from 532 million euro in 2010;
- net income pre goodwill impairment of 389 million euro versus 378 million euro in 2010;
- goodwill impairment (net of tax) of 1,152 million euro versus no recurrence in 2010;
- net loss post goodwill impairment of 763 million euro versus net income of 378 million euro in 2010;
- adjusted net income excluding main non-recurring items of 501 million euro versus 421 million euro in 2010.

Banca Fideuram performs asset gathering activities serving customers with a medium to high savings potential through its network of private bankers. This business unit's operations include Fideuram Vita. In the fourth quarter of 2011, Banca Fideuram registered:

- operating income of 182 million euro, up 1.1% from 180 million euro in the previous quarter;
- operating costs of 82 million euro, down 5.8% from 87 million euro in the previous quarter;
- operating margin of 100 million euro, up 7.6% from 93 million euro in the previous quarter;
- a cost/income ratio improving to 45.1% from 48.3% in the previous quarter;
- net provisions and adjustments of 42 million euro versus 106 million euro in the previous quarter, both quarters being negatively impacted by the impairment on Greek government bonds;
- profits on investments held to maturity and on other investments of 59 million euro versus losses of 12 million euro in the previous quarter;
- net income pre goodwill impairment of 20 million euro versus 36 million euro in the previous quarter;
- no goodwill impairment, as was the case in the previous quarter;
- net income post goodwill impairment of 20 million euro versus 36 million euro in the previous quarter;
- adjusted net income excluding main non-recurring items of 63 million euro, the same as in the previous quarter.

In 2011, Banca Fideuram recorded:

- operating income of 771 million euro, accounting for 5% of the consolidated operating income (the same contribution as in 2010), up 1.8% from 757 million euro in 2010;
- operating costs of 347 million euro, down 4.1% from 362 million euro in 2010;
- operating margin of 424 million euro, up 7.3% from 395 million euro in 2010;
- a cost/income ratio improving to 45% from 47.8% in 2010;
- net provisions and adjustments of 177 million euro (including impairment of 134 million euro on Greek government bonds) versus 83 million euro in 2010;
- profits on investments held to maturity and on other investments of 7 million euro versus the zero balance of 2010;
- income before tax from continuing operations of 254 million euro, down 18.6% from 312 million euro in 2010 but up 24.4% excluding impairment on Greek government bonds;
- net income pre goodwill impairment of 89 million euro versus 133 million euro in 2010;
- no goodwill impairment, as was the case in 2010;
- net income post goodwill impairment of 89 million euro versus 133 million euro in 2010;
- adjusted net income excluding main non-recurring items of 282 million euro versus 240 million euro in 2010.

The outlook for 2012

The 2011-2013/2015 Business Plan, approved on April 5th 2011, indicated sustainable profitability in the medium term as the Intesa Sanpaolo Group's key target resulting from developing long-lasting client relationships, fine-tuning cost discipline and investments, monitoring of asset quality and strengthening of liquidity and capital base. This key priority and the overall underlying strategic actions are confirmed.

On the other hand, negative market development and forecasts of contraction for the Italian economy call for a review of the Plan's financial targets that can be carried out as soon as financial markets stabilise. The Group, however, confirms its ability to deliver medium-long term profitability and value creation and has already implemented a string of management actions to offset the deterioration of the macroeconomic scenario. **The Plan's 10% target for the Core Tier 1 ratio and - starting from 2012 - pro-forma Basel 3 Common Equity ratio is confirmed**. This level is in compliance with fully phased-in Basel 3 requirements and includes the expected absorption of deferred tax assets before the full phasing-in of Basel 3, as well as actions to optimise capital sources and requirements, and the absorption of sovereign risk shock. **An EBA capital ratio target above the 9% threshold is also confirmed**. **In addition, the Group is committed to distributing a cash dividend per share over the course of the Business Plan that is no lower than the amount paid out for 2011**.

The impairment test has been carried out on the basis of a highly conservative approach driven by the difficult market context and considering the absence of an analytical planning of future net income flows. Thus, for the purpose of impairment testing, the value in use has been determined by using analysts' "consensus" net income forecasts updated at February 2012 for the years 2012 and 2013, adjusted by applying the percentage deviation between actual figures and consensus forecasts for 2011. As the aim of the impairment test is a medium-term valuation, a sustainable net income in a "non distressed" market context has been considered for determining the terminal value, resulting in a ROTE in line with the Group's cost of equity. This sustainable net income is estimated to be in line with the 2015 net income projection envisaged in the Business Plan. The values have been interpolated with declining growth rates, conservatively over an overall 10-year horizon, to fully measure the Group's medium-long term profitability and value creation.

In 2012, the Group will continue to prioritise sustainable profitability, as indicated in the Plan, focusing in particular on strategies aiming at more efficient liquidity allocation through lending with higher value creation and risk management strengthening as well as efficiency improvement and productivity growth. Repricing actions started in 2011 and also planned for 2012 will generate positive effects on revenues. Cost containment actions will counteract the effects of automatic pay increases and inflation. Constant monitoring of asset quality will allow the Group to maintain the cost of credit under control - albeit still high due to deteriorated economic conditions. In light of the above, operating performance, net of the 2011 non-recurring items, is expected to remain broadly stable.

* * *

For consistency purposes, the income statement figures were restated mainly due to five transactions:

1. the acquisition of control of Banca Monte Parma finalised in July 2011. For the first two quarters of 2011 and the four quarters of 2010 relevant items were consolidated line by line and their contribution to net income was recorded under minority interests;
2. the acquisition of control of Banca Sara finalised in June 2011. The company was included in the scope of full consolidation in the income statement of the third quarter of 2011. For the first two quarters of 2011 and the four quarters of 2010 relevant items were consolidated line by line and their contribution to net income was recorded under minority interests;
3. the sale of Cassa di Risparmio della Spezia and 96 branches to the Crédit Agricole group, finalised in January, March and June 2011. For the four quarters of 2010 the related items were deconsolidated line by line and their contribution to net income recorded under minority interests;
4. the acquisition of 50 branches from Banca Monte dei Paschi di Siena which were included in the scope of full consolidation in the income statement of the third quarter of 2010. For the first two quarters of 2010 relevant items were consolidated line by line and their contribution to net income was recorded under minority interests;
5. the purchase from the Generali Group of the remaining 50% of Intesa Vita not owned by the Intesa Sanpaolo Group, finalised in September 2010, and the consequent inclusion of Intesa Vita within the scope of full consolidation as regards the income statement for the 2010 fourth quarter. For the first three quarters of 2010 relevant items were consolidated line by line and their contribution to net income recorded under minority interests.

Still for consistency purposes, the balance sheet figures were restated:

1. for the first two quarters of 2011 and the four quarters of 2010 consolidating line by line the items related to Banca Monte Parma;
2. for the first quarter of 2011 and the four quarters of 2010 consolidating line by line the items related to Banca Sara;
3. for the four quarters of 2010 deconsolidating line by line the items relating to Cassa di Risparmio della Spezia and 96 branches sold to the Crédit Agricole group in January, March and *June 2011 and recording their contribution in terms of assets/liabilities balance under interbank position;*
4. for the first quarter of 2010 consolidating line by line the items related to the acquisition of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010;
5. for the first two quarters of 2010 consolidating line by line the items related to Intesa Vita.

Moreover, both income statement and balance sheet figures relating to the Business Units were restated:

1. for the four quarters of 2010 to take into account the attribution of Intesa Sanpaolo Suisse Private Bank to the Banca dei Territori Division. The company was previously included under the Corporate and Investment Banking Division;
2. for the first two quarters of 2010 to include the contribution to Banca Fideuram of the Fideuram Vita business line spun off from EurizonVita and consequently from the Banca dei Territori Division;
3. for the first three quarters of 2010 to take into account the attribution of Neos Finance to the Banca dei Territori Division. The company was previously included under the Corporate Centre.

* * *

The adjusted net income was calculated excluding the main non-recurring items listed below:

in the first quarter 2011: 1) 11 million euro extraordinary tax relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 2) 6 million euro integration charges and related tax savings resulting in net integration charges of 4 million euro, and 3) 86 million euro charges from purchase cost allocation, net of tax;

in the second quarter 2011: 1) 272 million euro capital gain on the sale of 4% of the Prada equity stake recorded under profits on trading and related taxes resulting in 253 million euro net capital gain, 2) 154 million euro capital gain on the sale of the remaining 25% stake in Findomestic, recorded under profits on trading, related taxes and minority interest, resulting in a net capital gain for the Group of 128 million euro, 3) 25 million euro impairment charges relating to Greek government bonds maturing by 2020 recorded under net impairment losses on other assets, and related tax savings, resulting in net impairment charges of 17 million euro, 4) 146 million euro capital gain on the sale of branches to Crédit Agricole, recorded under profits on investments held to maturity and on other investments, related taxes and minority interests, resulting in a net capital gain for the Group of 145 million euro, 5) 132 million euro impairment charges relating to the Telco investment, recorded under profits on investments held to maturity and on other investments, 6) 11 million euro extraordinary tax relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 7) 18 million euro integration charges and related tax savings resulting in net integration charges of 12 million euro and 8) 85 million euro charges from purchase cost allocation, net of tax;

in the third quarter 2011: 1) 597 million euro impairment charges relating to Greek government bonds, recorded under net impairment losses on other assets, and related tax savings, resulting in net impairment charges of 427 million euro, 2) 1,100 million euro tax benefit from the recognition of deferred tax assets and the substitute tax charge relating to realignment of intangible assets, recorded under taxes on income from continuing operations, 3) 11 million euro extraordinary tax relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 4) 666 million euro charges for integration and exit incentives and related tax savings resulting in net charges of 483 million euro and 5) 83 million euro charges from purchase cost allocation, net of tax;

in the fourth quarter 2011: 1) 390 million euro impairment charges relating to Greek risk, of which 66 million euro were recorded under profits (losses) on trading, 3 million euro under income from insurance business and 321 million euro under net impairment losses on other assets and related tax savings resulting in net impairment charges of 276 million euro, 2) 298 million euro charges relating to the strengthening of the reserve on performing loans, included in net adjustments to loans, and related tax savings resulting in net charges of 216 million euro, 3) 282 million euro charges relating to the strengthening of restructured loan coverage, included in net adjustments to loans, and related tax savings resulting in net charges of 204 million euro, 4) 131 million euro loss on forex mortgages concerning the Group’s subsidiary in Hungary, included in net adjustments to loans, and related tax savings resulting in net charges of 76 million euro, 5) 23 million euro adjustment on the capital gain from the branch sale to Crédit Agricole recorded under profits on investments held to maturity and on other investments, 6) 119 million euro impairment charges on the Telco investment, recorded under profits on investments held to maturity and on other investments, 7) 1,030 million euro fiscal benefit from the recognition of deferred tax assets and the substitute tax charge relating to the realignment of intangible, recorded under taxes on income from continuing operations, 8) 147 million euro charges from the settlement of the dispute with the Italian Revenue Agency (“misuse of a right”) recorded under taxes on income from continuing operations, 9) 76 million euro charges for integration and exit incentives and related tax savings resulting in net charges of 53 million euro, 10) 67 million euro from purchase cost allocation, and 11) 10,233 million goodwill impairment;

in the first quarter 2010: 1) 86 million euro fiscal benefit from the registration of deferred tax assets and the recognition of the substitute tax relating to goodwill realignment with some subsidiaries, recorded under taxes on income from continuing operations, 2) 23 million euro integration charges and related tax savings resulting in net integration charges of 16 million euro, and 3) 92 million euro charges from purchase cost allocation, net of tax;

in the second quarter 2010: 1) 19 million euro extraordinary tax pertaining to the first half of 2010 and relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 2) 664 million euro capital gains on the sale of the securities services business and related taxes, which resulted in a net capital gain of 648 million euro recorded under income after tax from discontinued operations, 3) 41 million euro integration charges and related tax savings, which resulted in net integration charges of 27 million euro, and 4) 100 million euro charges from purchase cost allocation, net of tax;

in the third quarter 2010: 1) 9 million euro extraordinary tax relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 2) 13 million euro integration charges and related tax savings, which resulted in net integration charges of 11 million euro, and 3) 102 million euro charges from purchase cost allocation, net of tax;

in the fourth quarter 2010: 1) 100 million euro prudentially set aside for possible dispute resolutions, recorded under net provisions for risks and charges, 2) a 255 million euro positive effect of the measurement at fair value of the 50% stake of Intesa Vita already owned following the acquisition of total control of the company, recorded under profits on investments held to maturity and on other investments, 3) 15 million euro extraordinary tax relating to the Group's subsidiary in Hungary, recorded under taxes on income from continuing operations, 4) 27 million euro integration charges and related tax savings, which resulted in net integration charges of 18 million euro and 5) 102 million euro charges from purchase cost allocation, net of tax.

* * *

In order to present more complete information on the results generated in 2011, the reclassified income statement and the reclassified balance sheet included in the Report on operations approved by the Management Board are attached. Please note that the reclassified income statement and the reclassified balance sheet are not subject to auditing by the Auditing company. It is hereby notified that the Intesa Sanpaolo financial statements, both parent company and consolidated, for the year ended December 31st 2011 will be available for shareholders and the market within April 6th 2012. They will be submitted to the approval of the Supervisory Board at a meeting scheduled for April 5th 2012 and to the auditing firm in charge of auditing the Annual Report.

* * *

The manager responsible for preparing the company's financial reports, Ernesto Riva, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

* * *

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This press release 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 statements, 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.

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Gruppo Intesa Sanpaolo

Reclassified consolidated statement of income

(millions of euro)

	2011	2010	Changes	
			amount	%
Net interest income	9,780	9,700	80	0.8
Dividends and profits (losses) on investments carried at equity	72	29	43	
Net fee and commission income	5,466	5,652	-186	-3.3
Profits (Losses) on trading	920	460	460	
Income from insurance business	540	654	-114	-17.4
Other operating income (expenses)	7	34	-27	-79.4
Operating income	16,785	16,529	256	1.5
Personnel expenses	-5,419	-5,528	-109	-2.0
Other administrative expenses	-3,080	-3,174	-94	-3.0
Adjustments to property, equipment and intangible assets	-638	-602	36	6.0
Operating costs	-9,137	-9,304	-167	-1.8
Operating margin	7,648	7,225	423	5.9
Net provisions for risks and charges	-218	-366	-148	-40.4
Net adjustments to loans	-4,243	-3,170	1,073	33.8
Net impairment losses on other assets	-1,069	-95	974	
Profits (Losses) on investments held to maturity and on other investments	-99	273	-372	
Income (Loss) before tax from continuing operations	2,019	3,867	-1,848	-47.8
Taxes on income from continuing operations	910	-1,372	2,282	
Charges (net of tax) for integration and exit incentives	-552	-72	480	
Effect of purchase price allocation (net of tax)	-321	-396	-75	-18.9
Goodwill impairment (net of tax)	-10,233	-	10,233	-
Income (Loss) after tax from discontinued operations	-	694	-694	
Minority interests	-13	-16	-3	-18.8
Net income	-8,190	2,705	-10,895	

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

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2011				2010			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,541	2,479	2,368	2,392	2,408	2,453	2,442	2,397
Dividends and profits (losses) on investments carried at equity	5	26	34	7	11	-5	26	-3
Net fee and commission income	1,339	1,322	1,410	1,395	1,517	1,328	1,404	1,403
Profits (Losses) on trading	173	-74	541	280	120	126	-4	218
Income from insurance business	205	50	165	120	126	173	151	204
Other operating income (expenses)	2	-3	-3	11	14	-4	2	22
Operating income	4,265	3,800	4,515	4,205	4,196	4,071	4,021	4,241
Personnel expenses	-1,348	-1,324	-1,375	-1,372	-1,430	-1,364	-1,365	-1,369
Other administrative expenses	-841	-752	-766	-721	-898	-751	-786	-739
Adjustments to property, equipment and intangible assets	-177	-159	-153	-149	-170	-142	-148	-142
Operating costs	-2,366	-2,235	-2,294	-2,242	-2,498	-2,257	-2,299	-2,250
Operating margin	1,899	1,565	2,221	1,963	1,698	1,814	1,722	1,991
Net provisions for risks and charges	-106	-18	-80	-14	-148	-32	-100	-86
Net adjustments to loans	-2,043	-695	-823	-682	-895	-713	-808	-754
Net impairment losses on other assets	-360	-635	-57	-17	-47	-5	-38	-5
Profits (Losses) on investments held to maturity and on other investments	-139	7	19	14	262	-	1	10
Income (Loss) before tax from continuing operations	-749	224	1,280	1,264	870	1,064	777	1,156
Taxes on income from continuing operations	976	894	-464	-496	-280	-416	-315	-361
Charges (net of tax) for integration and exit incentives	-53	-483	-12	-4	-18	-11	-27	-16
Effect of purchase price allocation (net of tax)	-67	-83	-85	-86	-102	-102	-100	-92
Goodwill impairment (net of tax)	-10,233	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	3	-	663	28
Minority interests	7	-25	22	-17	32	-25	4	-27
Net income	-10,119	527	741	661	505	510	1,002	688

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

Gruppo Intesa Sanpaolo

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.12.2011	31.12.2010	Changes amount	Changes %
Financial assets held for trading	59,963	71,945	-11,982	-16.7
of which: Insurance Companies	1,341	1,836	-495	-27.0
Financial assets designated at fair value through profit and loss	34,253	35,550	-1,297	-3.6
of which: Insurance Companies	33,391	34,538	-1,147	-3.3
Financial assets available for sale	68,777	61,835	6,942	11.2
of which: Insurance Companies	39,194	39,197	-3	-
Investments held to maturity	2,621	3,858	-1,237	-32.1
Due from banks	35,865	41,494	-5,629	-13.6
Loans to customers	376,744	378,827	-2,083	-0.5
Investments in associates and companies subject to joint control	2,630	2,712	-82	-3.0
Property, equipment and intangible assets	20,577	31,076	-10,499	-33.8
Tax assets	14,702	8,769	5,933	67.7
Non-current assets held for sale and discontinued operations	26	75	-49	-65.3
Other assets	23,063	20,884	2,179	10.4
Total Assets	639,221	657,025	-17,804	-2.7

Liabilities and Shareholders' Equity	31.12.2011	31.12.2010	Changes amount	Changes %
Due to banks	78,644	52,972	25,672	48.5
Due to customers and securities issued	357,410	399,177	-41,767	-10.5
of which: Insurance Companies	403	211	192	91.0
Financial liabilities held for trading	48,740	45,044	3,696	8.2
of which: Insurance Companies	29	48	-19	-39.6
Financial liabilities designated at fair value through profit and loss	22,653	26,144	-3,491	-13.4
of which: Insurance Companies	21,955	24,906	-2,951	-11.8
Tax liabilities	4,064	3,253	811	24.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	24,225	20,941	3,284	15.7
Technical reserves	50,761	50,188	573	1.1
Allowances for specific purpose	4,966	4,644	322	6.9
Share capital	8,546	6,647	1,899	28.6
Reserves	49,982	45,235	4,747	10.5
Valuation reserves	-3,298	-1,054	2,244	
Minority interests	718	1,129	-411	-36.4
Net income	-8,190	2,705	-10,895	
Total Liabilities and Shareholders' Equity	639,221	657,025	-17,804	-2.7

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

Gruppo Intesa Sanpaolo

Quarterly development of the Reclassified consolidated balance sheet

(millions of euro)

Assets	2011				2010			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	59,963	69,934	60,584	61,141	71,945	90,565	98,522	84,023
of which: Insurance Companies	1,341	1,371	1,625	1,690	1,836	1,855	2,299	1,400
Financial assets designated at fair value through profit and loss	34,253	35,212	36,303	36,349	35,550	33,253	32,974	33,432
of which: Insurance Companies	33,391	34,345	35,354	35,230	34,538	32,301	32,059	32,517
Financial assets available for sale	68,777	70,950	69,007	64,845	61,835	60,541	55,199	55,627
of which: Insurance Companies	39,194	40,733	41,837	41,137	39,197	39,638	36,341	36,735
Investments held to maturity	2,621	2,872	2,865	3,021	3,858	4,224	4,326	4,365
Due from banks	35,865	40,449	43,258	40,449	41,494	44,132	46,975	46,275
Loans to customers	376,744	381,192	374,979	377,252	378,827	378,157	374,901	370,968
Investments in associates and companies subject to joint control	2,630	2,732	2,694	2,817	2,712	2,360	2,348	2,328
Property, equipment and intangible assets	20,577	30,876	30,798	30,903	31,076	30,589	30,779	30,671
Tax assets	14,702	11,259	7,886	8,079	8,769	7,861	8,133	7,564
Non-current assets held for sale and discontinued operations	26	30	38	35	75	48	35	7,741
Other assets	23,063	21,816	19,182	20,703	20,884	23,853	26,291	27,552
Total Assets	639,221	667,322	647,594	645,594	657,025	675,583	680,483	670,546

Liabilities and Shareholders' Equity	2011				2010			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	78,644	72,978	50,182	51,087	52,972	47,326	49,753	45,503
Due to customers and securities issued	357,410	369,459	389,511	392,736	399,177	406,472	410,986	403,229
of which: Insurance Companies	403	368	389	405	211	216	230	237
Financial liabilities held for trading	48,740	53,952	38,216	37,431	45,044	58,139	56,413	48,349
of which: Insurance Companies	29	76	43	42	48	65	67	51
Financial liabilities designated at fair value through profit and loss	22,653	23,558	24,729	25,201	26,144	26,357	26,430	27,692
of which: Insurance Companies	21,955	22,814	23,969	24,403	24,906	24,617	24,646	25,393
Tax liabilities	4,064	4,857	3,299	3,342	3,253	3,032	2,857	3,772
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	9,375
Other liabilities	24,225	26,697	24,330	23,765	20,941	26,062	26,537	24,704
Technical reserves	50,761	52,217	52,887	51,896	50,188	49,585	48,612	47,947
Allowances for specific purpose	4,966	4,978	4,405	4,561	4,644	4,557	4,612	4,791
Share capital	8,546	8,546	8,546	6,647	6,647	6,647	6,647	6,647
Reserves	49,982	49,906	49,924	47,920	45,235	45,265	45,317	46,358
Valuation reserves	-3,298	-2,827	-937	-766	-1,054	-1,134	-1,120	-339
Minority interests	718	1,072	1,100	1,113	1,129	1,075	1,749	1,830
Net income	-8,190	1,929	1,402	661	2,705	2,200	1,690	688
Total Liabilities and Shareholders' Equity	639,221	667,322	647,594	645,594	657,025	675,583	680,483	670,546

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

Gruppo Intesa Sanpaolo

Breakdown of financial highlights and financial ratios by business area

Income statement (millions of euro)	Corporate and Investment Banking		Banca dei Territori		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Operating income	3,928	3,842	9,654	9,929	2,383	2,302	266	288	771	757
Operating costs	-968	-965	-5,733	-5,903	-1,171	-1,169	-120	-132	-347	-362
Operating margin	2,960	2,877	3,921	4,026	1,212	1,133	146	156	424	395
Net income	-1,797	1,552	-6,412	734	-763	378	-297	77	89	133

Balance sheet (millions of euro)	Corporate and Investment Banking		Banca dei Territori		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Loans to customers	150,701	151,287	186,414	183,240	30,881	30,926	109	153	3,439	2,851
Direct deposits from banking business	87,591	102,783	200,574	201,449	30,678	30,259	9	12	6,367	6,586

Profitability ratios (%)	Corporate and Investment Banking		Banca dei Territori		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost / Income	24.6	25.1	59.4	59.5	49.1	50.8	45.1	45.8	45.0	47.8

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

Intesa Sanpaolo S.p.a.

Reclassified statement of income

(in millions of euro)

	2011	2010	Changes	
			amount	%
Net interest income	2,546	2,813	-267	-9.5
Dividends	1,572	1,512	60	4.0
Net fee and commission income	1,962	2,072	-110	-5.3
Profits (Losses) on trading	267	72	195	
Other operating income (expenses)	159	203	-44	-21.7
Operating income	6,506	6,672	-166	-2.5
Personnel expenses	-2,040	-2,047	-7	-0.3
Other administrative expenses	-1,687	-1,768	-81	-4.6
Adjustments to property, equipment and intangibles assets	-129	-123	6	4.9
Operating costs	-3,856	-3,938	-82	-2.1
Operating margin	2,650	2,734	-84	-3.1
Net provisions for risks and charges	-112	-167	-55	-32.9
Net adjustments to loans	-1,537	-853	684	80.2
Net impairment losses on other assets	-57	-34	23	67.6
Profits (Losses) on investments held to maturity and on other investments	-160	19	-179	
Income (Loss) before tax from continuing operations	784	1,699	-915	-53.9
Taxes on income from continuing operations	2,101	-194	2,295	
Charges (net of tax) for integration and exit incentives	-314	-44	270	
Effect of purchase price allocation (net of tax)	-69	-80	-11	-13.8
Goodwill and controlling interests impairment (net of tax)	-10,181	-	10,181	
Income (Loss) after tax from discontinued operations	-	946	-946	
Net income	-7,679	2,327	-10,006	

Figures restated on a consistent basis.

Intesa Sanpaolo S.p.a.

Reclassified balance sheet

(in millions of euro)

Assets	31.12.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	18,576	29,532	-10,956	-37.1
Financial assets designated at fair value	354	367	-13	-3.5
Financial assets available for sale	12,664	13,030	-366	-2.8
Investments held to maturity	528	853	-325	-38.1
Due from banks	146,832	115,880	30,952	26.7
Loans to customers	170,045	177,432	-7,387	-4.2
Equity investments	39,631	43,510	-3,879	-8.9
Property, equipment and intangible assets	7,979	11,427	-3,448	-30.2
Tax assets	9,027	4,514	4,513	
Non-current assets held for sale and discontinued operations	-	13	-13	
Other assets	13,609	12,228	1,381	11.3
Total Assets	419,245	408,786	10,459	2.6

Liabilities and Shareholders' Equity	31.12.2011	31.12.2010	Changes	
			amount	%
Due to banks	112,670	93,815	18,855	20.1
Due to customers and securities issued	238,021	244,860	-6,839	-2.8
Financial liabilities held for trading	13,044	10,526	2,518	23.9
Financial liabilities designated at fair value	-	-	-	-
Tax liabilities	648	687	-39	-5.7
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	8,179	7,780	399	5.1
Allowances for specific purpose	2,411	2,268	143	6.3
Share capital	8,546	6,647	1,899	28.6
Reserves	43,296	38,980	4,316	11.1
Valuation reserves	109	896	-787	-87.8
Net income	-7,679	2,327	-10,006	
Total Liabilities and Shareholders' Equity	419,245	408,786	10,459	2.6

Figures restated on a consistent basis.