Interim Statement as at 31 March 2009
























This is an English translation of the Italian original "Resoconto intermedio al 31 marzo 2009" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A. This document contains some forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to future events. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

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

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

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

Interim Statement as at 31 March 2009

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

Contents

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

Supervisory Board

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

Management Board

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

General Managers

Corrado PASSERA
Francesco MICHELI

Manager responsible for preparing the Company’s financial reports

Ernesto RIVA

Independent Auditors

RECONTA ERNST & YOUNG S.p.A.

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

Income statement (in millions of euro)	31.03.2009	31.03.2008	Changes	
			amount	%
Net interest income	2,687	2,798	-111	-4.0
Net fee and commission income	1,255	1,627	-372	-22.9
Profits (losses) on trading	107	40	67	
Income from insurance business	64	79	-15	-19.0
Operating income	4,136	4,653	-517	-11.1
Operating costs	-2,314	-2,403	-89	-3.7
Operating margin	1,822	2,250	-428	-19.0
Net adjustments to loans	-733	-312	421	
Income after tax from discontinued operations	65	970	-905	-93.3
Net income	1,075	1,749	-674	-38.5

Balance sheet (in millions of euro)	31.03.2009	31.12.2008	Changes	
			amount	%
Loans to customers	387,486	395,189	-7,703	-1.9
Direct customer deposits	436,264	430,897	5,367	1.2
Indirect customer deposits	560,818	577,144	-16,326	-2.8
of which: Assets under management	*207,563*	*213,786*	*-6,223*	*-2.9*
Total assets	639,304	636,133	3,171	0.5
Shareholders' equity	49,514	48,954	560	1.1

Operating structure	31.03.2009	31.12.2008	Changes
			amount
Number of employees	108,757	108,838	-81
Italy	*73,318*	*72,755*	*563*
Abroad	*35,439*	*36,083*	*-644*
of which: atypical labour contracts	*466*	*484*	*-18*
Number of financial advisors	4,409	4,477	-68
Number of branches [(a)]	8,318	8,432	-114
Italy	*6,354*	*6,399*	*-45*
Abroad	*1,964*	*2,033*	*-69*

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

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

	31.03.2009	31.03.2008	31.12.2008
Profitability ratios (%)			
Cost / Income ratio	55.9	51.6	54.7
Net income / Average shareholders' equity (ROE) [(a)]	5.3	10.3	5.2
Economic Value Added (EVA)[(b)] (in millions of euro)	446	1,130	
Risk ratios (%)			
Net doubtful loans / Loans to customers	1.1	0.9	1.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	69.2	70.7	69.6
Capital ratios (%) [(c)]			
Tier 1 capital [(d)] net of preference shares / Risk-weighted assets (Core Tier 1)	6.4		6.3
Tier 1 capital [(d)] / Risk-weighted assets	7.2		7.1
Total capital [(e)] / Risk-weighted assets	10.5		10.2
Risk-weighted assets (in millions of euro)	378,676		383,072
Basic earnings per share (basic EPS) [(f)] – euro	0.08	0.14	0.20
Diluted earnings per share (diluted EPS) [(g)] – euro	0.08	0.14	0.20
Shares [(h)]			
Number of ordinary shares (thousands)	11,849,332	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	2.003	4.457	2.519
Average share price for the period - ordinary share (euro)	2.151	4.658	3.834
Average market capitalisation (in millions of euro)	26,894	59,287	48,639
Book value per share (euro)	4.180	3.873	4.132
Long-term rating			
Moody's	Aa2	Aa2	Aa2
Standard & Poor's	AA-	AA-	AA-
Fitch	AA-	AA-	AA-

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

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

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

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

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

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

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

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

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

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

Income statement (in millions of euro)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Operating income	2,584	3,034	838	619	115	64	541	521	68	101	153	161
Operating costs	-1,507	-1,577	-226	-234	-20	-21	-285	-278	-30	-41	-79	-84
Operating margin	1,077	1,457	612	385	95	43	256	243	38	60	74	77
Net income	399	454	289	240	54	27	81	165	17	25	28	29

Balance sheet (in millions of euro)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2009	31.12.2008	31.03.2009	31.12.2008	31.03.2009	31.12.2008	31.03.2009	31.12.2008	31.03.2009	31.12.2008	31.03.2009	31.12.2008
Loans to customers	188,543	192,950	110,543	112,837	39,783	38,830	29,531	29,847	-	-	1,764	1,802
Direct customer deposits	220,433	218,920	106,300	91,813	4,950	5,205	26,794	28,212	-	-	6,358	6,583

Profitability ratios (%)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008
Cost / Income	58.3	52.0	27.0	37.8	17.4	32.8	52.7	53.4	44.1	40.6	51.6	52.2
ROE [(a)]	16.0	17.3	14.5	12.2	23.4	10.1	16.8	36.6	74.9	119.7	39.7	34.3
Economic Value Added (EVA) (in millions of euro)	279	591	97	65	32	3	12	93	24	40	41	44

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

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

Intesa Sanpaolo in the first quarter of 2009

The macroeconomic context and the banking system

The global economic crisis continued into the first months of 2009, still characterised by strong contractions in international trade and production levels. On a quarterly basis, the fall in industrial production reached 6.1% in the United States and 21.4% in Japan. In the eurozone the decrease was also considerable: 6.7% in the first two months of 2009 compared to the third quarter of 2008. The recession continued to hit producers of capital goods and durable consumer goods, particularly transport. The decline of employment levels, now worldwide, was particularly intense in the United States.
It was only at the end of the quarter that the first glimpses were seen of a slowdown in the recession, evident mainly in Asia and North America. Asian import-export flows recorded moderate increases. The share indexes rose and risk premiums fell to below peak levels. In the eurozone, also, economic surveys revealed greater stability and improved forecasts for future trends.

The political and monetary authorities continued to announce measures in support of the economy and the financial system. New tax incentives were launched in various countries, including the United States, Japan and Germany. Along with financial stabilisation costs and the natural impact of the recession on public balances, the tax incentives increased state deficits to exceptional levels, raising fears for debt sustainability. The central banks applied more aggressive liquidity expansion measures. In the United States, United Kingdom and Japan the monetary authorities launched public and private debt takeover programmes in an attempt to force expansion of monetary supply. In the eurozone, the ECB cut official rates from 2.5% to 1.5%, also extending the extraordinary management of free market transactions, based on which any demand for funds from the system is granted, subject to the presentation of guarantees. In May the minimum rate offered on major refinancing through the ECB was cut to 1%. This historic minimum was accompanied by the Central Bank's decision to take over part of the covered bonds for the sum of 60 billion euro, with the aim of a further cash injection into the system.
Attempts to stabilise the banking system also continued. Shortly after the new Administration took over, the United States again proposed, but did not implement, a toxic asset purchase programme, in addition to organising an operation to assess the potential capital needs of the major banks given the negative economic scenarios. In the European Union, eleven new incentives were launched, including system-level measures (issue of state guarantees, recapitalisation) and support or restructuring measures for individual banks.

Italy was also affected by the exceptionally severe slump. Industrial production fell at a rate only slightly lower than that of the last quarter of 2008, when it had fallen by 8.1% on the previous period. In February, production levels were lower by more than 30% on the figure of one year earlier in sectors such as transport, metals, rubber and plastics. In March the confidence of entrepreneurs fell once again. The high level of public debt and low level of primary surplus limit the use of public funds to tackle the crisis. Support for growth has therefore mainly come from the reallocation of funds already set aside for more urgent matters, including financing the social buffers and a number of infrastructural projects. Measures to renew the vehicle fleet translated to a recovery in new-car registrations in March.

Short-term interest rates fully incorporated the slowdown in monetary policy and liquidity improvements. The 3-month Euribor fell by 2.86% to 1.51%. The persistence glut of funds on the market kept EONIA (Euro OverNight Index Average) below the main ECB refinancing rate. The spread between two-year and quarterly interest rates gradually increased in the quarter; the ten-two year spread increased up to the beginning of February, after which it settled at +130 basis points. The government securities market has not benefited from the recession: in fact, yields have remained almost constantly above 2008 year-end levels.
The deteriorating financial framework has increased sovereign spread volatility in the Eurozone, with repercussions on the BTP-Bund spread in January and in the period mid-February to mid-March. The worst worries were over the Irish and Austrian debts.

The euro remained volatile, subject for the entire quarter to strong fluctuation. However, at the end of the quarter, the external value of the Euro was lower than the previous three months by just over one per cent. The euro-USD exchange rate fluctuated between 1.39 and 1.24, closing the quarter at 1.3206, approximately six figures below that for 31 December 2008.
The stock markets saw an extremely negative first quarter, characterised by steep drops until the beginning of March. The upturn that followed, extending into the beginning of the second quarter, downsized the losses compared to 31 December to -11.6% for the S&P500 and -14.8% for Mibtel.

The most recent data on the emerging economies show a significant fall in economic activity. In the first two months of 2009, industrial production and exports decreased significantly in most countries. On a regional basis, falling production particularly affected CEE/SEE countries with strong links to the eurozone economic cycle, CIS and Latin American countries sensitive to the global recession and commodity prices, and the Asian countries most exposed to international trade such as South Korea, Taiwan, Singapore and Hong Kong.
In this context, the major international organisations, including the IMF and OECD, forecast a significant decrease in GDP in several emerging economies in 2009. A particularly severe recession is forecast among the Asian countries most exposed to global trade fluctuations, in certain Gulf, CIS and Latin American countries with strong links to the commodities price cycle, in countries with high-level financial needs such as Baltic countries, Ukraine and Hungary, or those most exposed to the effects of the global financial crisis. Countries that can count on a positive growth, albeit at a slower rate, include India and China, whose economies continue to be sustained by domestic demand.

Among the central banks, fears regarding changes in the real cycle have replaced fears of inflation, which were still dominant until mid-2008. The inflation rate is decelerating, though in some Latin American countries (Brazil, Mexico and Venezuela), Asian countries (India, Indonesia), East European (Russia, Ukraine) and Middle East countries (Egypt and the oil countries), domestic inflexibility of the goods and services markets tend to keep price levels over and above those sought after by the Authorities. Measures for loosening monetary policy and supporting liquidity on the markets have been adopted on a wide scale through cuts in interest rates, reduced minimum reserve ratios and cash injections on the markets by means of temporary swaps. The monetary loosening has in general been more prudent in financially vulnerable countries characterised by strong exchange rate pressure.

On emerging financial markets, share prices alternated between upward and downward swings. At the start of the quarter they were still affected by fears of gradual deterioration in growth forecasts for the major economies and the possible effects of contagion from the global financial crisis. Stock prices, sovereign debt and exchange rate spreads remained under pressure for a long time. In the latter part of the quarter and at the beginning of April, the markets situation began to stabilise, in certain cases showing signs of recovery.
As a result of IMF backing guaranteed in advance to countries facing a potential liquidity crisis (e.g. Hungary, Ukraine, Latvia and more recently Serbia and Romania), support measures for banking systems in the major economies and the Expenditure Plans adopted by governments in many countries, the emerging financial markets showed significant signs of recovery. Stock prices in general increased, CDS spreads decreased while currencies stabilised against the dollar and the euro.
The EMBI+ (Emerging Markets Bond Index) therefore fell from 690 points at the end of December 2008 to 630 points at the end of March 2009, returning to its November 2008 levels. In relative terms, spreads contracted more strongly in certain Asian countries (the Philippines and Vietnam), Latin America (Chile) and Egypt. The MSCI (Morgan Stanley Capital International) stock index gained over 5%. The BRIC stock markets led the upward trend, with China (+30%), Brazil and Russia (+9%) and India (+0.6%).
On the currency markets the US dollar recorded a 2.7% appreciation against emerging country currencies (OITP index - Other Important Trading Partners), whereas on the Major index it lost 4.8% against the currencies of major industrialised countries. Among the emerging countries, a higher degree of vulnerability continued in Eastern European currencies with a stronger financial imbalance (Hungarian forint, Polish złoty, Czech koruna and Romanian leu in particular), followed by certain Asian currencies (Korean won and Malaysian ringgit). The Latin American currencies (Brazilian real and Chilean peso in particular) instead proved to be more resistant, rewarded by a more solid financial position against foreign markets.
Among rating agencies downgraded ratings and outlooks prevailed. The downgrades were concentrated in countries with a stronger current account deficit (Estonia, Lithuania, Hungary and Ukraine) or exposed to

oil price cycles (Bahrain and Kuwait). Chile and Libya, on the other hand, were among the few upgraded countries.

The Italian banking system

During the first three months of the year, the consecutive ECB cuts in the main refinancing rate, aimed at sustaining economic growth and restabilising the credit market, translated into a decrease in money market yields, and consequently in bank interest rates.
At the end of the quarter the overall interest rate on loans to households and businesses settled at a figure considerably lower than the peak of 5 months earlier, and also compared to the year-end level for 2008. Deposits interest rates also recorded a downward trend, though less marked. From a sector point of view, businesses benefited from a more significant reduction in the cost of money compared to that recorded for households. With regard to new financing for households, the statistics show that in the first two months of the year the cost of home loans fell as did, albeit to a lesser extent, consumer financing.
The higher risk resulting from unfavourable development in the economic context was reflected in the granting terms, stricter than those of the previous quarter. In this respect, a margin recomposition was recorded in favour of the mark-up[1], which rose by up to 3.96 points in the three months, against a corresponding decrease in the mark-down[2] on deposits from 1.46 to 0.53 points. As a result of the above trends, the loans yield-deposit cost spread at the end of March was 2.69 points, approximately 40 basis points lower than the end of 2008.
For the whole of the second quarter, also thanks to the continuing expansionary monetary policy, with a refi rate falling to 1% in May, the downward trajectory of bank interest rates should remain unchanged, though much less steep than in the first few months of the year. Furthermore, the reduced cost of money will continue to travel side-by-side with the gradual increase in unit margins on loans, induced by the generally stronger risk aversion seen on the market. Lastly, given the higher downward stickiness of deposit interest rates compared to lending interest rates, a further contraction of spreads is forecast.

In the first quarter of 2009, the slowdown in lending that began in the second half of last year continued, reflecting falling production, business investments and household consumption.
The current deceleration, forecast to continue for most of the year, was affected not only by the general fall in demand, but also by increased squeeze on loans by banks, justified by the rising level of credit risk.
This recession has led to a slowdown of consumption and a strong contraction of property transactions, resulting in household confidence reaching minimum levels. This has had a negative effect on loans in the sector, which recorded only moderate growth rates. Trends for the consumer credit sector were more lively.
The drop in household credit demand has led to a contraction in the debt-to-income ratio: according to the most recent reports from the Bank of Italy[3], in the fourth quarter of 2008 the financial debt-to-available income ratio was 49.4%, compared to 50% one year earlier.
With regard to non-financial companies, in March loans recorded an annual change in line with the gradual slowdown in growth. More limited growth rates were recorded in the manufacturing industry, which strongly felt the effects of a contraction in both international and domestic demand. Other sectors also recorded a significant credit deceleration compared to the recent past.
The disbursement of funds to businesses seems to be polarised towards the two extremes of maturities, i.e. loans with maturities of up to 1 year and of over 5 years. On the other hand, mid-range maturities came to a standstill. It should also be mentioned that the reason for the steady demand for short-term financing lies in the cash needs of businesses as a result of extended collection and payment terms.

In the first quarter, direct deposits recorded a still significant average annual growth rate, though slower than that of the fourth quarter of 2008. This trend, still well synchronised with the aggregate, mirrors the strong risk aversion of the market, which prefers short-term investments and, amongst these, the more liquid investments, more attractive due to the low cost-opportunity ratio induced by monetary rates being reduced to a minimum. The overall aggregate increased as a result of the strong performance of current accounts and bonds, the latter favoured for the good yields and low risk levels they offer, factors that also encouraged an increase in time deposits, including high-yield online accounts.

[1] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.
[2] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[3] *Bollettino Economico* no. 55, April 2009.

A preference for liquid or traditional investment products has been detrimental to asset management, a segment in which the crisis has now continued for three years. In the first quarter net funding in mutual funds recorded a highly negative cumulative deficit, in line with the 2008 performance. New life policy business, the dynamics of which were very weak until February, instead showed signs of a recovery in March, resulting in a quarterly increase of over 10%. Premium collection increased mainly in Class I policies (capitalisation + decease), whilst the more risk-related policies (unit-linked and index-linked) recorded a considerable decrease.

Intesa Sanpaolo in the first three months of 2009

The 2009 business outlook, illustrated in the 2008 Annual Report, has been borne out. Compared to the same period last year, the first quarter recorded a decrease in revenues from both interest and fees and commissions, whilst the situation in terms of financial activities improved. The decrease in operating costs was confirmed, whereas the difficult economic situation led to a significant increase in net adjustments to loans.

In particular: net interest decreased by 4.0% to 2,687 million euro, largely due to the reduced interest rates and strong contraction in spreads which began in the second part of last year.

The drop in fees and commissions was larger (-22.9% to 1,255 million euro), a downward trend recorded in numerous consecutive quarters and no longer limited to financial product placement and asset management, but beginning to affect typical commercial operations, reflecting the more general situation in the economic crisis. It should be mentioned however that more recently a slower downward trend and greater flow stabilisation are indicated.

On the other hand, the contribution from financial activity improved (107 million euro in the 1st quarter of this year, compared to 40 million euro in the same period in 2008), though the persisting uncertainty of the financial markets makes it difficult to maintain long-term stability of results.

Total revenues amounted to 4,136 million euro, 517 million euro down (-11.1%).

Operating costs dropped to 2,314 million euro, 3.7% down on the same period last year, as a result of the 4.0% decrease in personnel expenses and 18.2% in amortisation and depreciation, whereas other administrative expenses remained essentially stable, penalised by the change in the tax treatment of intragroup services.

The operating margin was 1,822 million euro, down 19%.

The provision for risks and charges increased significantly (to 69 million euro) as did, more importantly, net adjustments to loans (to 733 million euro), which according to a reasonable forecast is expected to continue its upward trend throughout the year.

Non-recurring components, or in any event components not attributable to normal business operations, characterised both periods under comparison: in the first quarter of 2009 capital gains of 65 million euro were recorded from discontinued operations (disposal of bank branches as ordered by the Antitrust Authority), compared to 970 million euro in the first three months of 2008, whilst merger and restructuring-related charges decreased from 321 million euro to 48 million euro, and amortisation from 131 million euro to 95 million euro as a result of the amortisation of intangibles attributable to the recent business combinations.

It should again be emphasised that the measurement of non-trading financial assets and intangibles, which had a considerable impact on accounts in the last quarter of 2008 and as mentioned later in this report, had no significant effect on the first quarter of 2009. These relate to securities available for sale, which have had a marginal impact on the income statement this year, investments consolidated by the equity method, intangibles and goodwill classed as assets, which, though subject to considerable write-downs in the last annual report, showed no evidence of further impairment in this quarter such as to require specific impairment testing.

Income before tax from continuing operations was over 1 billion euro, down 47% on the first quarter of 2008.

Taxes, which recorded a positive balance of 165 million euro, require special analysis. During the quarter the further option offered under article 15, paragraph 10, Legislative Decree 185/08, converted to Law 2/09, was exercised, allowing the recognition for tax purposes of goodwill acquired in business combinations on payment of a 16% substitute tax and by applying tax deduction of the related value over nine years, starting from the period after the one in which the substitute tax was paid.

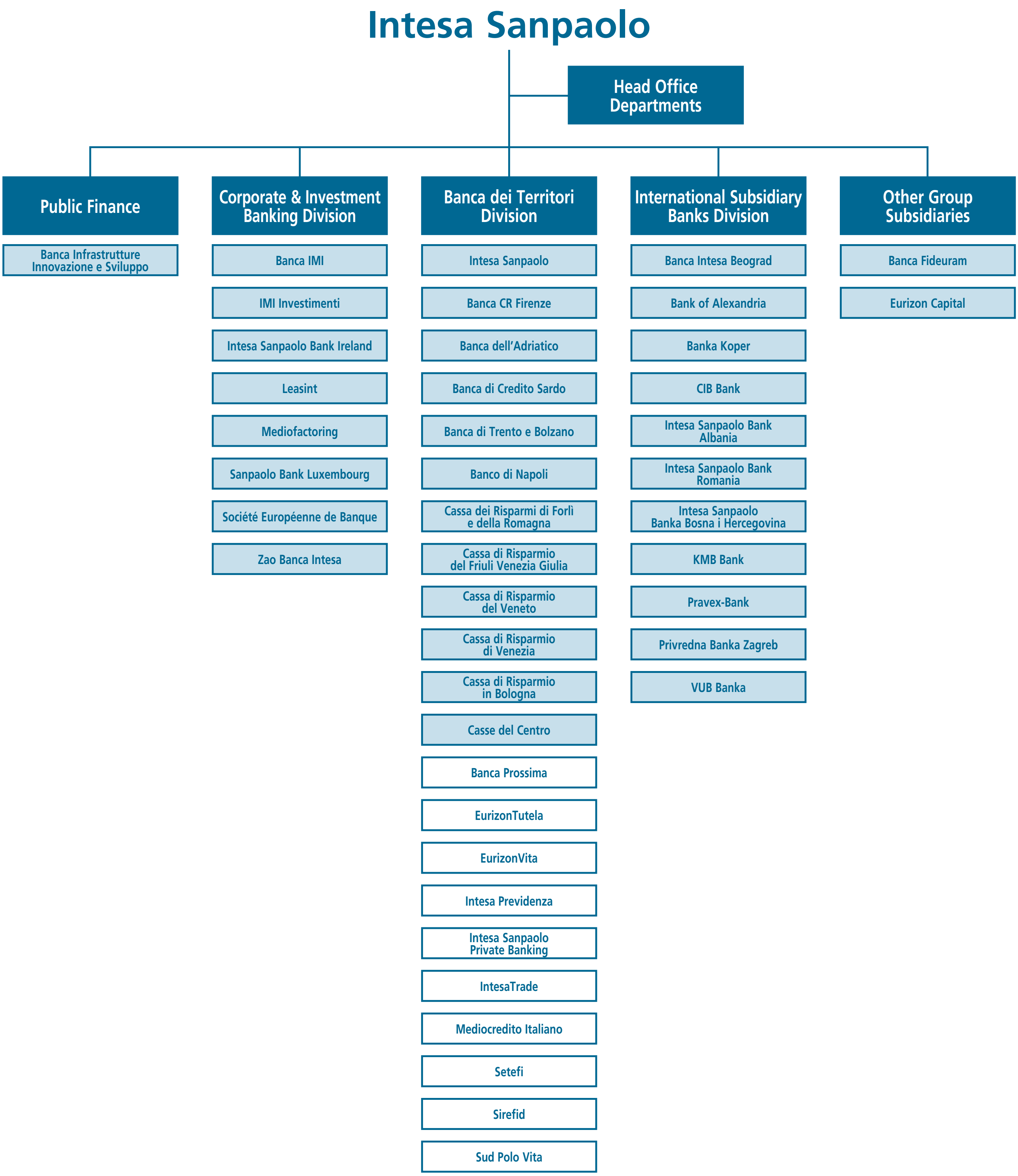
In the 2008 financial statements goodwill included under balance sheet assets was realigned. In the first quarter of this year it was considered appropriate to redeem also the other intangibles: intangible assets with a finite-life and brand names. The exercise of this option released the pre-established provision for

deferred taxes of 1,028 million euro, with payment in June 2009 of 517 million euro and reversal to the income statement already from the first quarter of 2009 of the 511 million euro difference.
Net income in the first three months of 2009 was therefore 1,075 million euro, down 38.5% on the first quarter of 2008.
Comparison with the results for the last quarter of 2008 shows a marked decrease in net interest, a much more limited decrease in fees and commissions – for which, as already mentioned, the contribution seems to have stabilised – and a return to positive values of financial activities.
Both operating costs and losses on loans which, in structural terms, had a peak impact on the income statement in the last quarter of the year, recorded strong decreases.

The balance sheet figures as at 31 March recorded varying performances, in any event in line with expectations.
Compared to 31 December 2008, total assets increased by 3.2 billion euro. Specifically, customer deposits increased by 5.3 billion euro, whilst total loans to customers fell (-7.7 billion euro).
Intergroup relations showed a prudent balanced position, with the aim of guaranteeing maximum possible liquidity and an adequate economic return.
Indirect deposits again recorded a decrease (-16 billion euro) in the administered component (-10 billion euro) and in asset management (-6 billion euro), both strongly influenced by financial market volatility, which had a significant impact on aggregate values.
Capital requirements recorded ample security margins (Core Tier 1: 6.4%; Tier 1: 7.2%; Total capital ratio: 10.5%), to be further strengthened on the issue of securities in the next few months subscribed by the Italian Government (Tremonti bonds).

To conclude, the performance for the first quarter confirms the Group's capital soundness and its capacity to produce income even in a serious economic crisis, which especially in the first quarter of this year may have reached its most acute levels. The effectiveness of action taken and disclosed to the market at the time of presentation of the 2008 results has been confirmed. Defence of the bank's spread and selective disbursement of credit offset the strong pressure of low rates on net interest income. Specifically, the spread on customer transactions was managed by means of a strict pricing policy and the use of margin hedges.
Operating costs reduced considerably, even though the Group restructuring has not yet been completed. The increase in the adjustments to loans, though high, is not particularly marked if the macroeconomic context is taken into account, and is due to persist throughout the year.
In the light of feedback during the quarter, from the action taken and the contribution to the income statement of the above-mentioned redemption of intangibles it seems likely that the net consolidated income for 2009 will not be much lower than that of 2008.

The Intesa Sanpaolo Group



Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets	31.03.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	78,862	61,080	17,782	29.1
Financial assets designated at fair value through profit and loss	20,218	19,727	491	2.5
Financial assets available for sale	32,493	29,083	3,410	11.7
Investments held to maturity	5,461	5,572	-111	-2.0
Due from banks	47,672	56,371	-8,699	-15.4
Loans to customers	387,486	395,189	-7,703	-1.9
Investments in associates and companies subject to joint control	3,340	3,230	110	3.4
Property, equipment and intangible assets	32,126	32,406	-280	-0.9
Tax assets	7,439	7,495	-56	-0.7
Non-current assets held for sale and discontinued operations	69	1,135	-1,066	-93.9
Other assets	24,138	24,845	-707	-2.8
Total Assets	**639,304**	**636,133**	**3,171**	**0.5**

Liabilities and Shareholders' Equity	31.03.2009	31.12.2008	Changes	
			amount	%
Due to banks	48,049	51,745	-3,696	-7.1
Due to customers and securities issued	411,113	405,778	5,335	1.3
Financial liabilities held for trading	48,749	45,870	2,879	6.3
Financial liabilities designated at fair value through profit and loss	25,151	25,119	32	0.1
Tax liabilities	4,568	4,461	107	2.4
Liabilities associated with non-current assets held for sale and discontinued operations	-	1,021	-1,021	
Other liabilities	25,845	26,368	-523	-2.0
Technical reserves	19,799	20,248	-449	-2.2
Allowances for specific purpose	5,452	5,469	-17	-0.3
Share capital	6,647	6,647	-	-
Reserves	43,697	41,166	2,531	6.1
Valuation reserves	-1,905	-1,412	493	34.9
Minority interests	1,064	1,100	-36	-3.3
Net income	1,075	2,553	-1,478	-57.9
Total Liabilities and Shareholders' Equity	**639,304**	**636,133**	**3,171**	**0.5**

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

Quarterly development of the consolidated balance sheet

(in millions of euro)

Assets	2009	2008			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	78,862	61,080	49,560	54,853	53,273
Financial assets designated at fair value through profit and loss	20,218	19,727	20,479	20,915	20,499
Financial assets available for sale	32,493	29,083	30,687	36,906	38,763
Investments held to maturity	5,461	5,572	5,763	5,976	5,709
Due from banks	47,672	56,371	75,160	71,077	69,881
Loans to customers	387,486	395,189	383,664	370,907	359,434
Investments in associates and companies subject to joint control	3,340	3,230	3,295	3,186	3,239
Property, equipment and intangible assets	32,126	32,406	34,947	34,844	33,103
Tax assets	7,439	7,495	4,159	4,158	3,766
Non-current assets held for sale and discontinued operations	69	1,135	3,973	4,327	4,186
Other assets	24,138	24,845	22,428	20,823	17,198
Total Assets	**639,304**	**636,133**	**634,115**	**627,972**	**609,051**

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

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

Consolidated income statement

(in millions of euro)

	31.03.2009	31.03.2008	Changes amount	Changes %
Net interest income	2,687	2,798	-111	-4.0
Dividends and profits (losses) on investments carried at equity	-6	66	-72	
Net fee and commission income	1,255	1,627	-372	-22.9
Profits (Losses) on trading	107	40	67	
Income from insurance business	64	79	-15	-19.0
Other operating income (expenses)	29	43	-14	-32.6
Operating income	**4,136**	**4,653**	**-517**	**-11.1**
Personnel expenses	-1,399	-1,458	-59	-4.0
Other administrative expenses	-758	-753	5	0.7
Adjustments to property, equipment and intangible assets	-157	-192	-35	-18.2
Operating costs	**-2,314**	**-2,403**	**-89**	**-3.7**
Operating margin	**1,822**	**2,250**	**-428**	**-19.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-69	-33	36	
Net adjustments to loans	-733	-312	421	
Net impairment losses on other assets	-7	-8	-1	-12.5
Profits (Losses) on investments held to maturity and on other investments	-	13	-13	
Income (Loss) before tax from continuing operations	**1,013**	**1,910**	**-897**	**-47.0**
Taxes on income from continuing operations	165	-608	773	
Merger and restructuring-related charges (net of tax)	-48	-321	-273	-85.0
Effect of purchase cost allocation (net of tax)	-95	-131	-36	-27.5
Income (Loss) after tax from discontinued operations	65	970	-905	-93.3
Minority interests	-25	-71	-46	-64.8
Net income	**1,075**	**1,749**	**-674**	**-38.5**
Basic EPS - euro	**0.08**	**0.14**		
Diluted EPS - euro	**0.08**	**0.14**		

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

Quarterly development of the consolidated income statement

(in millions of euro)

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

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

Report on operations

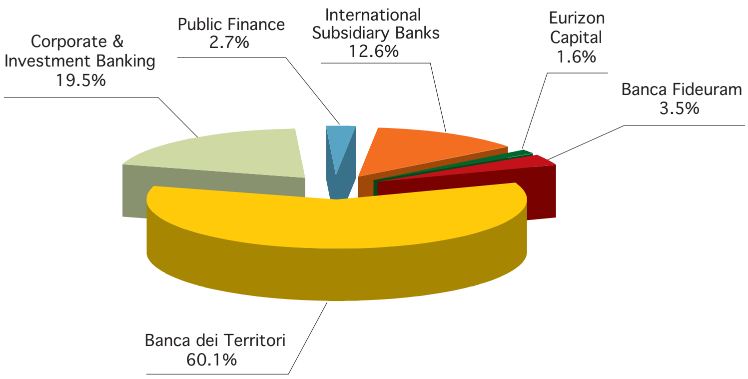
Economic results

Operating income

In a market context conditioned by economic recession, the Intesa Sanpaolo Group's results for the first quarter of 2009, albeit below those recorded for the same quarter last year, showed signs of recovery compared to the last quarter of 2008. Net operating income was 4,136 million euro, 11.1% down on the same period in the previous year, but 4.1% higher than the figure recorded for the last three months of 2008.

The negative trend emerging from a comparison of the first quarter in each of the two years in question is largely due to fee and commission income, which decreased by 372 million euro (-22.9%), mainly affected by the negative asset management performance and the 111 million euro decrease in net interest due to erosion of the mark down on deposits. Income from insurance business also fell, by 15 million euro, as did dividends and profits on investments carried at equity, which decreased by 72 million euro. Profits on trading, on the other hand, increased from 40 million euro in the first quarter of 2008 to 107 million euro.

Breakdown by business area

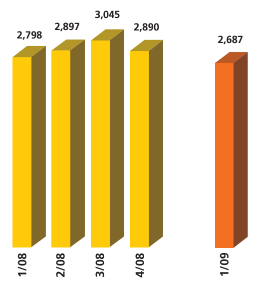


Net interest income

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Relations with customers	3,717	3,812	-95	-2.5
Relations with banks	22	6	16	
Securities issued	-1,726	-1,599	127	7.9
Differentials on hedging derivatives	67	-96	163	
Financial assets held for trading	260	256	4	1.6
Investments held to maturity	54	64	-10	-15.6
Financial assets available for sale	127	208	-81	-38.9
Non-performing assets	188	134	54	40.3
Other net interest income	-22	13	-35	
Net interest income	**2,687**	**2,798**	**-111**	**-4.0**

Quarterly development of net interest income



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

Net interest income for the period totalled 2,687 million, 4% down on the first quarter of 2008.

Net interest income from operations with customers, including interest on securities issued and hedging differentials, amounted to 2,058 million, a 59 million euro decrease (-2.8%) on the first quarter of 2008. The performance was particularly penalised by erosion of the spreads on funding due to tax rate decreases. Net interest income from financial investments, on the other hand, fell 16.5%, from 528 million euro to

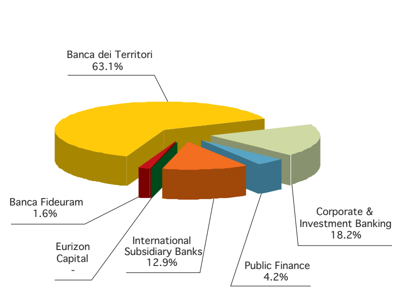
441 million euro as a result of reduced operations triggered by the financial markets crisis.
The interest margin for the first quarter of this year was lower than that of the last quarter of 2008, continuing the downward trend already seen in the third and fourth quarters of last year.

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Banca dei Territori	1,706	1,864	-158	-8.5
Corporate & Investment Banking	491	373	118	31.6
Public Finance	114	66	48	72.7
International Subsidiary Banks	350	319	31	9.7
Eurizon Capital	1	2	-1	-50.0
Banca Fideuram	43	37	6	16.2
Total business areas	**2,705**	**2,661**	**44**	**1.7**
Corporate Centre	-18	137	-155	
Intesa Sanpaolo Group	**2,687**	**2,798**	**-111**	**-4.0**

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

Business areas



Banca dei Territori, which makes up 63% of business area results, recorded an 8.5% decrease in net interest income, mainly due to the reduced mark down on deposits. Increases were recorded, however, in Corporate & Investment Banking (+31.6%) Public Finance (+72.7%), International Subsidiary Banks (+9.7%) and Banca Fideuram (+16.2%).

Dividends and profits on investments carried at equity

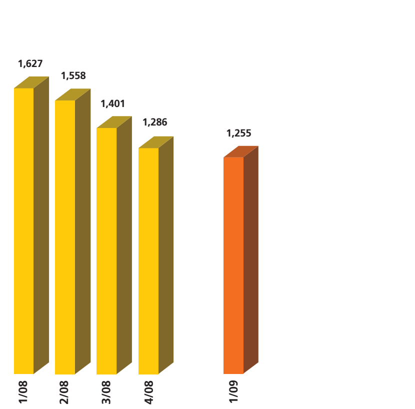
Dividends and profits on investments carried at equity recorded a loss of 6 million euro, compared to the 66 million euro profit in the first quarter of 2008, due to the exclusion of contributions from investments disposed of in 2008 and the general decrease in results from other equity investments. It should be emphasised that the dividends relate to companies not consolidated, excluding those on shares held for trading and AFS securities recorded under profit (loss) on trading.

Net fee and commission income

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Guarantees given	73	63	10	15.9
Collection and payment services	84	105	-21	-20.0
Current accounts	208	242	-34	-14.0
Credit and debit cards	93	109	-16	-14.7
Commercial banking activities	**458**	**519**	**-61**	**-11.8**
Dealing and placement of securities	71	228	-157	-68.9
Currency dealing	14	16	-2	-12.5
Portfolio management	248	409	-161	-39.4
Distribution of insurance products	153	187	-34	-18.2
Other	69	73	-4	-5.5
Management, dealing and consultancy activities	**555**	**913**	**-358**	**-39.2**
Other net fee and commission income	**242**	**195**	**47**	**24.1**
Net fee and commission income	**1,255**	**1,627**	**-372**	**-22.9**

Quarterly development of net fee and commission income



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

Net fee and commission income for the period totalled 1,255 million, 22.9% down on the 1st quarter of 2008. The investor preference for highly liquid, low-risk investments led to a significant drop in fee and commission income, not helped by the lower recurring commissions due to the reduced equity component in funds and portfolios. Management, dealing and consultancy activities generated net fee and commission income of 555 million euro, down 39.2% on the 913 million euro recorded for the first quarter of 2008. The decrease is primarily attributable to collective and individual asset management, which fell by 161 million euro (-39.4%), followed by insurance product placement, which decreased by 157 million euro (-68.9%). Distribution of insurance products recorded a more limited decrease of 34 million euro. The subcaption Other essentially remained stable, as a result of the consulting service performance which

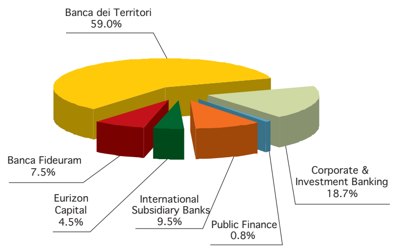
counterbalanced the drop in the depositary bank, securities custody and administration services.
Commercial banking activities generated net fee and commission income of 458 million euro (-11.8% compared to the first quarter of 2008). This trend was driven by the contraction in commissions on current accounts (-34 million euro), caused by the ever-increasing spread of low-cost current accounts, on collection and payment services (-21 million euro) and, to a lesser extent, on credit and debit cards (-16 million euro); conversely guarantees given recorded a positive trend (+15.9%).
In terms of quarterly performance, fee and commission income for the first three months of 2009 recorded a 2.4% drop on the last quarter of the previous year, mitigating the negative trend of in 2008. The limited decrease was due to a recovery in commissions on management, dealing and consultancy (+0.5%) and the lower drop (-5.8%) in fees and commissions from commercial banking activities.

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Banca dei Territori	772	1,034	-262	-25.3
Corporate & Investment Banking	245	223	22	9.9
Public Finance	10	16	-6	-37.5
International Subsidiary Banks	125	145	-20	-13.8
Eurizon Capital	59	97	-38	-39.2
Banca Fideuram	98	121	-23	-19.0
Total business areas	**1,309**	**1,636**	**-327**	**-20.0**
Corporate Centre	-54	-9	45	
Intesa Sanpaolo Group	**1,255**	**1,627**	**-372**	**-22.9**

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

Business areas



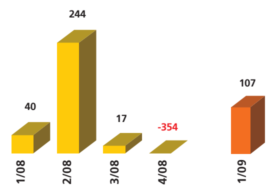
With regard to the business areas, the decrease in net fees and commissions compared to the first quarter of 2008 is mainly attributable to Banca dei Territori (-25.3%), which produced 59% of fee and commission income from the business units. Also down were the figures for Eurizon Capital (-39.2%) and Banca Fideuram (-19%), strongly penalised by difficulties in the asset management market, the International Subsidiary Banks (-13.8%), which felt the effects of reduced income from indirect deposits, and Public Finance (-37.5%) whose fee and commission income derives mainly from structuring activities on behalf of customers. An opposite trend was recorded by Corporate & Investment Banking, with an increase in net fees and commissions (+9.9%) mainly attributable to the investment banking segment and especially to M&A and the primary market (equity and debt capital markets).

Profits (Losses) on trading

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Trading result (Securities and connected credit derivatives, foreign exchange, financial derivatives)	203	-46	249	
Other credit derivatives	-63	-115	-52	-45.2
Other financial assets / liabilities: foreign exchange differences	-97	149	-246	
Fair value adjustments in hedge accounting	48	12	36	
Profits (Losses) on financial assets / liabilities held for trading	**91**	**-**	**91**	**-**
Profits (Losses) on disposal of financial assets available for sale and repurchase of financial liabilities	**13**	**32**	**-19**	**-59.4**
Dividend and similar income on shares available for sale	**3**	**8**	**-5**	**-62.5**
Profits (Losses) on trading	**107**	**40**	**67**	

Quarterly development of profits (losses) on trading



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

Trading activities led to profits of 107 million euro, an increase compared to the 40 million of the first quarter of 2008. The change mainly benefited from improved results from trading on interest rates, securities and exchange rates and in the valuation of credit derivatives, essentially attributable to the

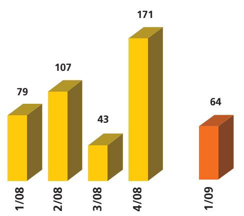
improvement in benchmark rates (credit spread and interest rates).
The first quarter of 2009 recorded a positive trading result, higher than the average recorded for last year and showing a net recovery compared to the 354 million euro loss in the first quarter of 2008. The higher positive contributions in absolute terms were those from the banks operating in central and south-eastern Europe (66 million euro) and Banca IMI (48 million euro) which in an extremely difficult context was confirmed absolute credit market leader in Italy. The contribution to profit from fair value adjustments in hedge accounting was particularly significant (48 million euro), mainly with regard to hedged liabilities, which benefited from the slowdown in interest rate decreases. Also worthy of mention is the result attributable to hedge fund investments, returning to a positive 18 million euro after four consecutive negative quarters. These positive performances were once again offset by the negative results of structured credit products (-79 million euro, of which -83 million euro for unfunded projects with zero or near zero subprime content, and 4 million euro for funded products), particularly attributable to multi-sector and super-senior CDOs.
Lastly, the negative exchange rate performance (-97 million euro) should be considered alongside the positive result in the derivative component of trading activities (+203 million euro).

Income from insurance business

(in millions of euro)

	31.03.2009			31.03.2008			Changes	
	Life	Non-Life	Total	Life	Non-Life	Total	amount	%
Premiums and payments [(a)]	13	30	43	52	28	80	-37	-46.3
net premiums	*595*	*35*	*630*	*368*	*37*	*405*	*225*	*55.6*
net charges for claims and surrendering of policies	*-849*	*-5*	*-854*	*-1,223*	*-9*	*-1,232*	*-378*	*-30.7*
net charges for changes in technical reserves	*267*	*-*	*267*	*907*	*-*	*907*	*-640*	*-70.6*
Net income from financial instruments designated at fair value through profit and loss [(b)]	32	-	32	-38	-	-38	70	
Net income from securities (including UCITS) classified as Financial assets available for sale and Financial assets held for trading [(c)]	118	2	120	160	2	162	-42	-25.9
Other income/charges from insurance business [(d)]	-113	-18	-131	-106	-19	-125	6	4.8
Income from insurance business	**50**	**14**	**64**	**68**	**11**	**79**	**-15**	**-19.0**

Quarterly development of income from insurance business



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

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

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

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

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

In the first quarter of 2009, income from insurance business, which aggregates the revenue items of the Group's life and non-life companies, was 64 million euro, down 19% compared to the same period in the previous year.
The decrease was driven by the negative trend of financial management of traditional products and capital. This trend is attributable to lower AUM figures and to portfolio divestment policies. The improved fair value of underlying assets of the index-linked policies allowed for the release of part of the provisions allocated at the end of the previous year to integrate reserves in case of death. With regard to non-life business, a slight improvement in results was recorded due to the lower impact of claim-related expense.

Other operating income (expenses)

Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense and tax recoveries that have led to a reduction in administrative expenses. This caption recorded a positive balance of 29 million euro for the period compared to the 43 million euro of the first quarter of 2008.

Operating costs

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Wages and salaries	994	1,032	-38	-3.7
Social security charges	255	262	-7	-2.7
Other	150	164	-14	-8.5
Personnel expenses	**1,399**	**1,458**	**-59**	**-4.0**
Information technology expenses	178	195	-17	-8.7
Management of real estate assets	198	173	25	14.5
General structure costs	116	124	-8	-6.5
Professional and legal expenses	109	100	9	9.0
Advertising and promotional expenses	30	36	-6	-16.7
Indirect personnel costs	29	29	-	-
Other costs	82	89	-7	-7.9
Indirect taxes and duties	155	152	3	2.0
Recovery of expenses and charges	-139	-145	-6	-4.1
Administrative expenses	**758**	**753**	**5**	**0.7**
Property and equipment	98	111	-13	-11.7
Intangible assets	59	81	-22	-27.2
Adjustments	**157**	**192**	**-35**	**-18.2**
Operating costs	**2,314**	**2,403**	**-89**	**-3.7**

Quarterly development of operating costs

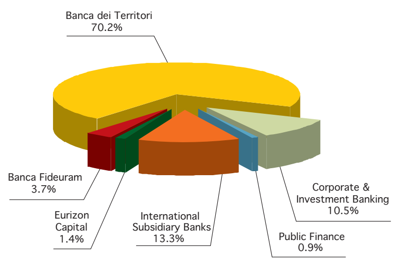
Figures restated where required by international accounting standards and considering the changes in the scope of consolidation.

Operating costs for the first quarter of 2009 amounted to 2,314 million euro, down 3.7% on the first quarter of 2008.
Personnel expenses totalled 1,399 million euro, down 4%, in line with the human resources optimisation policies adopted, which resulted in a reduction in the workforce in both final and average figures.
Administrative expenses amounted to 758 million euro, up 0.7% due to increased expenses generated from management of real estate assets, partly attributable to the international subsidiary banks, professional and legal expenses and indirect taxes in addition to the effect of the reintroduction of VAT on intragroup services from 1 January 2009. Decreases were recorded, however, in IT services, general structure, advertising and promotional expenses.
Adjustments amounted to 157 million euro, an 18.2% decrease on the first three months of last year, due to the elimination of certain software components and subsequent write-offs in 2008.
Compared to the quarterly figures for 2008, operating costs for the first quarter of 2009 were lower, due to decreases in all the main components.
The cost/income ratio for the period was 55.9%, up on the 51.6% recorded for the first quarter of 2008, mainly due to a fall in revenues stronger than the reduction in costs.

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Banca dei Territori	1,507	1,577	-70	-4.4
Corporate & Investment Banking	226	234	-8	-3.4
Public Finance	20	21	-1	-4.8
International Subsidiary Banks	285	278	7	2.5
Eurizon Capital	30	41	-11	-26.8
Banca Fideuram	79	84	-5	-6.0
Total business areas	**2,147**	**2,235**	**-88**	**-3.9**
Corporate Centre	167	168	-1	-0.6
Intesa Sanpaolo Group	**2,314**	**2,403**	**-89**	**-3.7**

Business areas



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

The reduction in Group operating costs (-3.7%) can be attributed to all the business units except International Subsidiary Banks, which recorded a 2.5% increase in operating costs, due to the rise mainly in administrative expenses and adjustments. The most significant decrease in costs (-70 million euro) was recorded by Banca dei Territori, which makes up 70% of total business unit expenses, and by Eurizon

Capital (-11 million euro). Both business units benefited mainly from reduced personnel and administrative expenses. More limited cost decreases were recorded by Corporate & Investment Banking, Banca Fideuram and Public Finance.

Operating margin

Operating margin in the first quarter of 2009 was 1,822 million euro, down 19% on the corresponding period of the previous year. This change was generated by the significant decrease in the main income items, not sufficiently offset by the reduction in operating costs.

Adjustments to/write-backs on assets

Net provisions for risks and charges

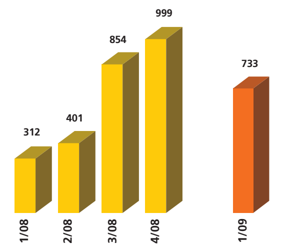
The net provisions for risks and charges totalled 69 million euro, 36 million higher than the figure for the first three months of 2008 due to a higher level of provisioning for litigation and revocatory actions.

Net adjustments to loans

(in millions of euro)

	31.03.2009	31.03.2008	Changes	
			amount	%
Doubtful loans	-302	-159	143	89.9
Other non-performing loans	-410	-148	262	
Performing loans	-23	-30	-7	-23.3
Net impairment losses on loans	**-735**	**-337**	**398**	
Net adjustments to guarantees and commitments	**2**	**25**	**-23**	**-92.0**
Net adjustments to loans	**-733**	**-312**	**421**	

Quarterly development of net adjustments to loans



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

Net adjustments to loans for the first quarter of 2009 totalled 733 million, a strong increase compared to the same period last year (312 million), but much lower than the figure for the fourth quarter of 2008 (999 million).
Since autumn 2008, the persistent deterioration of the economic situation has led to a high increase in non-performing loans and therefore a corresponding increase in net adjustments. This trend affected both Italian and international companies, and a realistic assessment of the economic situation forecasts that the trend is likely to continue for the rest of the year.
The indication already given of a strong increase in these costs is therefore confirmed for the 2009 Annual Report.
One positive element can be added to the negative evidence of the above figures: write-backs in the first quarter totalled 350 million, in line with previous periods.

Net impairment losses on other assets

Assets other than loans amounted to 7 million euro, more or less in line with the 8 million euro recorded in the first quarter of 2008.

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

No profits (losses) on investments held to maturity or on other investments were recorded in the first three months of 2009, compared to 13 million euro for the same period of the previous year, which benefited from the capital gains from the disposal of Banque Palatine (9 million euro).

Income before tax from continuing operations

Income before tax from continuing operations was 1,013 million euro, down 47% on the figure for the first three months of 2008. In addition to the effect of the operating margin, this change was also the result of net adjustments to loans, which more than doubled, due to deterioration of the loan portfolio quality.

Other income and expense captions

Taxes on income from continuing operations

Income tax for the period based on current and deferred tax was a positive 165 million euro, against the 608 million euro provisioned for the first quarter of 2008. Taxes benefited from the effect of redemption of intangible assets by 511 million euro. Article 15 of Law Decree 185/2008, converted to Law 2/2009, offers various realignment options for differences between tax values and book values.
In the Annual Report 2008, Intesa Sanpaolo and other Group companies realigned the taxable values of goodwill to the book values by paying 16% substitute tax, with the option of tax deduction of the redemption value over nine years.
In those financial statements the option of aligning the values of other redeemable intangible assets – finite life intangibles and brand names registered after the Intesa-Sanpaolo IMI merger (3,229 million euro as opposed to the recorded deferred taxes of 1,028 million) – was not exercised due to the negative effects that would have resulted on capital ratios as at 31 December 2008.
Subsequent events have improved the forecast regarding the development of regulatory capital and capital requirements, leading to a rethinking of that decision. In particular, the Bank of Italy has authorised adoption of the FIRB approach in calculating capital absorption in the corporate segment, with an appreciable reduction in capital absorption.
It was therefore decided to apply redemption of the intangibles indicated, using the pre-established allowance for deferred tax liabilities of 1,028 million, and subsequent payment to the tax authority in June 2009 of 517 million euro and recognition in the income statement of the 511 million euro difference in this first quarter.

Merger and restructuring-related charges (net of tax)

Net of tax effects, merger and restructuring-related charges amounted to 48 million euro, significantly lower than the 321 million euro recorded in the first quarter of 2008 as there were no longer charges deriving from employee access to the Solidarity Allowance, pursuant to Ministerial Decree 158/2000, and thanks to the decrease in merger and restructuring-related IT and consulting costs.

Effect of purchase cost 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 costs, totalling 95 million euro, fell also thanks to the effect of impairment applied last year.

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

Income (loss) after tax from discontinued operations, amounting to 65 million euro, was mainly the result of capital gains from the sale of Cassa di Risparmio di Orvieto and certain Group branches operating in the provinces of Pistoia and La Spezia, completed in March 2009. Added to these are the profits achieved by those entities up to the date of completion of the transactions.
The result is compared to the 970 million euro income for the first quarter of 2008, which included capital gains from the sale of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige, and the results achieved before disposal.

Net result

The Group closed the first quarter of 2009 with a net income of 1,075 million euro, against 1,749 million euro for the corresponding period of the previous year.

Balance sheet aggregates

Loans to customers

(in millions of euro)

	31.03.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	36,929	9.5	37,942	9.6	-1,013	-2.7
Mortgages	169,843	43.8	168,876	42.7	967	0.6
Advances and other loans	148,388	38.4	153,174	38.8	-4,786	-3.1
Repurchase agreements	3,804	1.0	8,177	2.1	-4,373	-53.5
Loans represented by securities	16,076	4.1	15,496	3.9	580	3.7
Non-performing loans	12,446	3.2	11,524	2.9	922	8.0
Loans to customers	**387,486**	**100.0**	**395,189**	**100.0**	**-7,703**	**-1.9**

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

As at the end of the first quarter of 2009, Intesa Sanpaolo recorded a 1.9% decrease in loans to customers compared to the year-end figure for the previous year. This result was affected by a difficult market situation due to the persistent financial and economic crisis, which only after the end of the quarter showed signs of improvement.

The loans performance was mainly penalised by the reduction in loans and advances (-3.1%) and current accounts (-2.7%), technical forms used especially by companies, which suffer the present market slump. Furthermore, repurchase agreement transactions more than halved (-53.5%). The continuing weak demand for funds by households limited the growth of mortgages to 0.6%. Loans represented by securities recorded a 3.7% increase due to the effect of the transformation of some unfunded structured credit products (derivatives) into funded products (securities) and their subsequent classification under loans. In relation to the risk level of the portfolio, non-performing loans saw an 8% increase since the beginning of the year, with an impact on total loans of 3.2%.

In the domestic medium-/long-term loan market, disbursements to households were approximately 3.5 billion euro, while those to companies were close to 2 billion euro.

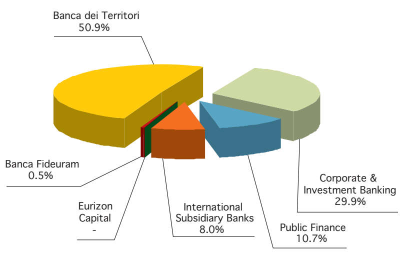
As at 31 March 2009, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 16.9% for total loans, essentially in line with the figure for the end of March 2008 and 0.5 percentage points down on December 2008.

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	188,543	192,950	-4,407	-2.3
Corporate & Investment Banking	110,543	112,837	-2,294	-2.0
Public Finance	39,783	38,830	953	2.5
International Subsidiary Banks	29,531	29,847	-316	-1.1
Eurizon Capital	-	-	-	-
Banca Fideuram	1,764	1,802	-38	-2.1
Total business areas	**370,164**	**376,266**	**-6,102**	**-1.6**
Corporate Centre	17,322	18,923	-1,601	-8.5
Intesa Sanpaolo Group	**387,486**	**395,189**	**-7,703**	**-1.9**

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

Business areas



Breakdown of loans by business area shows a 2.3% decrease for Banca dei Territori, which represented over half of the total aggregate attributable to the Group's business areas, due to reduced short-term loans to retail customers and to SMEs. The Corporate & Investment Banking Division also recorded a 2% decrease in loans due to reduced repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI, whilst loans for the Corporate Relations Department, with both Italian and foreign counterparties, held steady. Loans granted by the International Subsidiary Banks, penalised by the effect of exchange rates and by the reference economic context, also fell (-1.1%). However, loans to the public works and infrastructures handled by BIIS increased by 2.5%, due to new transactions completed during the quarter.

Loans to customers: loan portfolio quality

(in millions of euro)

	31.03.2009		31.12.2008		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	4,235	1.1	3,968	1.0	267
Substandard and restructured loans	6,484	1.7	5,690	1.4	794
Past due loans	1,727	0.4	1,866	0.5	-139
Non-performing loans	**12,446**	**3.2**	**11,524**	**2.9**	**922**
Performing loans	358,964	92.7	368,169	93.2	-9,205
Loans represented by performing securities	16,076	4.1	15,496	3.9	580
Loans to customers	**387,486**	**100.0**	**395,189**	**100.0**	**-7,703**

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

At the end of the first quarter of 2009 the Group recorded an increase in non-performing loans both in gross terms (+7%) and net of adjustments (+8%). This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 2.9% to 3.2%. As at 31 March 2009, the coverage of non-performing loans, pursued through prudent provisioning policies extended to all commercial banks, totalled 48.5%, similar to the levels recorded at the end of 2008.

In particular, in the first quarter of 2009 doubtful loans totalled 4,235 million euro, with a 267 million euro rise from the beginning of the year; the incidence on total loans to customers was 1.1%, with a coverage ratio of 69.2%.

Substandard and restructured loans, 6,484 million euro, recorded a 13.9% rise with respect to 31 December 2008; the coverage ratio, adequate against the risk intrinsic to this portfolio, remained approximately 24%.

Past due loans amounted to 1,727 million euro, with a 139 million euro decrease and a 9% coverage ratio.

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

Customer financial assets

(in millions of euro)

	31.03.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	436,264	44.9	430,897	43.8	5,367	1.2
Indirect customer deposits	560,818	57.7	577,144	58.7	-16,326	-2.8
Netting [(a)]	-24,909	-2.6	-24,888	-2.5	21	0.1
Customer financial assets	**972,173**	**100.0**	**983,153**	**100.0**	**-10,980**	**-1.1**

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

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

As at 31 March 2009 customer financial assets amounted to 972 billion euro, down 1.1% on the start of the year due to the contraction in indirect deposits, both under administration and under management, which exceeded the increase recorded in direct deposits.

With regard to assets under management, the 2.9% decrease was largely due to the marked volatility of the financial markets which on the one hand produced a decrease in asset valuation and, on the other, led to a shift in investments towards more liquid, low-risk forms.

It should be remembered that indirect deposits, assessed at current prices, are strongly influenced by financial market trends, particularly in the stock markets.

Direct customer deposits

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

(in millions of euro)

	31.03.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	198,610	45.5	202,559	47.0	-3,949	-1.9
Repurchase agreements and securities lending	5,722	1.3	8,528	2.0	-2,806	-32.9
Bonds	128,836	29.5	119,752	27.8	9,084	7.6
of which designated at fair value [(*)]	*3,863*	*0.9*	*3,878*	*0.9*	*-15*	*-0.4*
Certificates of deposit	32,198	7.4	30,899	7.2	1,299	4.2
Subordinated liabilities	21,214	4.9	20,031	4.6	1,183	5.9
Financial liabilities of the insurance business designated at fair value [(*)]	21,288	4.9	21,241	4.9	47	0.2
Other deposits	28,396	6.5	27,887	6.5	509	1.8
of which designated at fair value [(*)]	-	-	-	-	-	-
Direct customer deposits	**436,264**	**100.0**	**430,897**	**100.0**	**5,367**	**1.2**

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

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

Direct customers deposits amounted to 436 billion euro, increasing by over 5 billion euro (+1.2%) compared to the 2008 year-end figure. The poor risk appetite of investors and the persistent cuts in interest rates encouraged investors to favour investments in high-rated bank securities. An analysis of the technical formats shows that the increase is mainly attributable to bonds (+7.6%), certificates of deposit (+4.2%) and subordinated liabilities (+5.9%), which overall contributed over 11 billion euro to growth. The result for other deposits was also positive (+1.8%), whilst financial liabilities in the insurance business remained more or less stable. On the contrary, decreases were recorded in current accounts (-1.9%) and in repurchase agreements and securities lending (-32.9%).

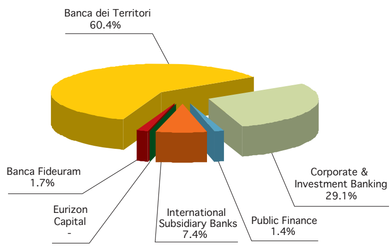
At the end of the first quarter of 2009 the Group's domestic market share (according to the ECB's harmonised definition) totalled 18%, in line with the figure recorded at the end of the previous year.

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Banca dei Territori	220,433	218,920	1,513	0.7
Corporate & Investment Banking	106,300	91,813	14,487	15.8
Public Finance	4,950	5,205	-255	-4.9
International Subsidiary Banks	26,794	28,212	-1,418	-5.0
Eurizon Capital	-	-	-	-
Banca Fideuram	6,358	6,583	-225	-3.4
Total business areas	**364,835**	**350,733**	**14,102**	**4.0**
Corporate Centre	71,429	80,164	-8,735	-10.9
Intesa Sanpaolo Group	**436,264**	**430,897**	**5,367**	**1.2**

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

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which made up 60% of the total aggregate attributable to the business areas, recorded a 0.7% increase, benefiting from the increase in funding through securities. The Corporate & Investment Banking Division (+15.8%) also benefited from expansion in deposits through securities, sustained by the placement of Banca IMI bonds. On the other hand, decreases were recorded for the International Subsidiary Banks (-5%), Public Finance (-4.9%), due to the increased use of liquidity on overdrafts by counterparties and the reduction in securities issued, and for Banca Fideuram (-3.4%).

Indirect customer deposits

(in millions of euro)

	31.03.2009		31.12.2008		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	77,972	13.9	81,975	14.2	-4,003	-4.9
Open-ended pension funds and individual pension plans	3,030	0.5	3,014	0.5	16	0.5
Portfolio management	57,552	10.3	59,254	10.3	-1,702	-2.9
Life technical reserves and financial liabilities	59,149	10.5	59,785	10.3	-636	-1.1
Relations with institutional customers	9,860	1.8	9,758	1.7	102	1.0
Assets under management	**207,563**	**37.0**	**213,786**	**37.0**	**-6,223**	**-2.9**
Assets under administration and in custody	**353,255**	**63.0**	**363,358**	**63.0**	**-10,103**	**-2.8**
Indirect customer deposits	**560,818**	**100.0**	**577,144**	**100.0**	**-16,326**	**-2.8**

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

Indirect customer deposits decreased by 2.8% from 31 December 2008 to 561 billion euro.
Assets under management totalled 208 billion euro (-2.9%). Almost all components contributed to the reduced aggregate, which represents 37% of indirect deposits, the only exceptions being open-ended pension funds and individual pension plans (+0.5%), though less significant in absolute terms, and relations with institutional customers (+1%). In particular, mutual funds recorded a 4.9% decrease, portfolio management dropped by 2.9% and life insurance policies by 1.1%. In the insurance business, new EurizonVita, Intesa Vita, Sud Polo Vita and Centro Vita Assicurazioni business in the quarter totalled 1.5 billion euro, more or less in line with the result for the same period in 2008.
Assets under administration recorded a 2.8% decrease, mainly attributable to the reduction in securities and third party products deposited under administration by ordinary customers (-14%), not sufficiently offset by the positive result (+24.6%) in securities positions attributable to institutional customers.

Net interbank position

At the end of the first quarter of 2009, the net interbank position recorded a negative imbalance of 0.4 billion euro, while at the end of 2008 loans to banks exceeded amounts due to banks by over 4 billion euro. The trend in the interbank position, given a favourable liquidity position in relations with customers, is attributable to the increase in financial activities. The aim is to maintain a balance between adequate liquidity and profitability requirements.

Financial assets and liabilities

(in millions of euro)

Voci	31.03.2009	31.12.2008	Changes	
			amount	%
Financial assets held for trading	78,862	61,080	17,782	29.1
of which derivatives at fair value	*46,364*	*42,302*	*4,062*	*9.6*
Financial assets designated at fair value through profit and loss	20,218	19,727	491	2.5
Financial assets available for sale	32,493	29,083	3,410	11.7
Investments held to maturity	5,461	5,572	-111	-2.0
Total financial assets	**137,034**	**115,462**	**21,572**	**18.7**
Financial liabilities held for trading	**48,749**	**45,870**	**2,879**	**6.3**
of which derivatives at fair value	*47,075*	*44,110*	*2,965*	*6.7*

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and certain bond loan issues designated at fair value, are not represented as these are included in the direct deposits aggregate.
In detail, financial assets held for trading increased from 61 to 79 billion euro due to Banca IMI's increased investment in government securities and temporary liquidity investments in BOT by the Parent Company in place of the lower-yield interbank loans.
The increase in financial assets available for sale is largely attributable to Banca IMI and due to securities acquired as part of the strategy to build a bond portfolio with a medium-long-term investment, with a view to maximising the bank’s capital soundness in terms of profitability and its proven funding capacity, at the same time limiting income statement volatility from short-term price fluctuations.
There were no significant changes in financial assets designated at fair value through profit and loss and investments held to maturity.

The amounts indicated in the table reflect the reclassifications performed in October 2008 as permitted under the IAS 39 amendment. As specified in the 2008 Annual Report, with its document “Reclassification of financial assets” issued last October, the IASB made changes to IAS 39 in relation to the classification of financial instruments, and to IFRS 7 with regard to related disclosures. These amendments were endorsed by the European Commission on 15 October 2008 with immediate effect.
The Intesa Sanpaolo Group considered it appropriate to identify certain securities mainly consisting of bonds not quoted on active markets and certain loans originally classified under trading assets or under assets available for sale that currently do not have any risk of impairment for which the current and foreseeable future market conditions no longer permit active management and that, consequently, will be held in portfolio. These assets have therefore been reclassified to the loans category and are measured at amortised cost from the time of their reclassification.
Specifically, within the securities portfolio, the reclassifications mainly involved certain structured credit products held by Intesa Sanpaolo and Banca IMI, and some securities in the portfolio of Banca Infrastrutture Innovazione e Sviluppo issued by local authorities or from securitisations (4,075 million euro), the latter also to align the accounting classification of the two banks (BIIS and OPI) operating in public finance and merged as of 1 January 2008. Reclassifications to the loan portfolio were related to certain syndicated loans to be placed with other financial institutions.
Furthermore, in 2009, consistent with the reduction of trading and the liquidity crisis slowdown, a process was started to transform unfunded structured credit products (derivatives) into funded products (securities), followed by their classification under the loans portfolio.
In accordance with the transitional provision established by the aforementioned accounting document, reclassifications were carried out for 10,144 million euro in terms of nominal value by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008, if already present in the portfolio as at that date, or with reference to the purchase price, if this took place after 1 July 2008, or at nominal value for loans granted after that date. The sum of 119 million euro was reclassified after

1 November 2008 and therefore on the basis of the fair value as at the date of reclassification. 641 million euro was reclassified during the first quarter of 2009, again based on the fair value as at the date of reclassification.
The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 31 March 2009, with related effects on the income statement and shareholders' equity reserves deriving from the transfer from designation at fair value to measurement at amortised cost.

(in millions of euro)

Type of instrument	Previous classification	New classification	Nominal value	Book value after reclassification	Fair value as at 31.03.2009	Impact on the income statement for 2008 (before tax)	Impact on shareholders' equity reserves as at 31.12.2008 (before tax)	Impact on the income statement for 1st quarter 2009 (before tax)	Impact on shareholders' equity reserves as at 31.03.2009 (before tax)
Debt securities	Financial assets held for trading	Loans	4,476	4,213	3,708	432	-	73	-
Debt securities	Financial assets held for trading	Financial assets available for sale	130	115	115	16	-16	8	-24
Funds/Stocks	Financial assets held for trading	Financial assets available for sale	50 (*)	50	50	11	-11	-	-11
Debt securities	Financial assets available for sale	Loans	5,002	5,065	4,229	-	838	-	836
Loans	Financial assets available for sale	Loans	792	793	766	-	51	-	27
Total reclassification			**10,450**	**10,236**	**8,868**	**459**	**862**	**81**	**828**

(*) Book value as at the date of reclassification

The impact of the reclassifications illustrated on the income statement should be combined with the effect deriving from calculation of the amortised cost which, in the first quarter of 2009, amounted to 5 million euro in terms of higher interest income (which adds to the 13 million euro recorded in the 2008 income statement), plus net gains and income of 2 million euro from repayments, or from disposals that took place after the reclassification.

Shareholders' equity

As at 31 March 2009 the Group's shareholders' equity, including net income for the period, totalled 49,514 million euro compared to the 48,954 million euro at 31 December 2008. The change in shareholders' equity is mainly due to the negative trend in valuation reserves. No changes in share capital occurred in the quarter.

Valuation reserves

As at 31 March 2009, valuation reserves recorded a 493 million euro decrease compared to the start of the year, mainly attributable to the reduction in financial assets available for sale and in cash flow hedges.

(in millions of euro)

	Valuation reserves as at 31.12.2008	Change in the period	Valuation reserves as at 31.03.2009	
				% breakdown
Financial assets available for sale	-1,287	-174	-1,461	76.7
Property and equipment	-	-	-	-
Cash flow hedges	-413	-145	-558	29.3
Legally-required revaluations	343	-	343	-18.0
Other	-55	-174	-229	12.0
Valuation reserves	**-1,412**	**-493**	**-1,905**	**100.0**

Regulatory capital

Regulatory capital and related capital ratios as at 31 March 2009 were determined by applying the instructions issued by the Bank of Italy in accordance with the new Basel II provisions.
It should noted that, subsequent to the authorisation by the Supervisory authority and with effect from 31 December 2008, the Intesa Sanpaolo Group has adopted the Foundation Internal Rating Based approach (FIRB) for calculating credit risk capital requirements with regard to regulatory portfolio Credit

exposures towards businesses (Corporate). The initial scope of application of the FIRB approach includes the Parent Company, the network banks (with the exception of Carifirenze and Casse del Centro) and the main specialised lending companies.

(in millions of euro)

Regulatory capital and capital ratios	**31.03.2009**	**31.12.2008**
Regulatory capital		
Tier 1 capital	27,196	27,074
of which: preferred shares	*3,000*	*2,998*
Tier 2 capital	15,038	14,748
Minus items to be deducted	-2,791	-2,774
REGULATORY CAPITAL	**39,443**	**39,048**
Tier 3 subordinated loans	276	30
TOTAL REGULATORY CAPITAL	**39,719**	**39,078**
Risk-weighted assets		
Credit and counterparty risks	331,482	335,556
Market risks	17,493	18,046
Operational risks	29,243	29,080
Other risks	457	390
RISK-WEIGHTED ASSETS	**378,676**	**383,072**
Capital ratios %		
Core Tier 1 ratio	6.4	6.3
Tier 1 ratio	7.2	7.1
Total capital ratio	10.5	10.2

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

As at 31 March 2009, regulatory capital amounted to 39,443 million euro and total capital, including Tier 3 subordinated loans, was 39,719 million euro.
The regulatory capital includes 100% of the net income for the period, i.e. 1,075 million euro.
After only three months in a year forecast to be difficult, it seems premature to envisage a potential allocation of net income for the period, though the intention to return to a distribution of cash dividends on ordinary shares, as regards the 2009 economic result, is confirmed.
As at the same date, the Core Tier 1 ratio was 6.4%, up 10 bp on 31 December 2008, with the Tier 1 ratio and Total Capital ratio standing at 7.2% and 10.5%, respectively.
The increase in the Core Tier 1 ratio is due to the reduction in risk-weighted assets, while a modest increase was recorded in Regulatory Capital. In particular, the credit risk and counterparty risk requirement decreased (-325 million euro), whereas other requirements remained essentially stable.

Breakdown of consolidated results by business area

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

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

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
31.03.2009	2,584	838	115	541	68	153	-163	4,136
31.03.2008	3,034	619	64	521	101	161	153	4,653
% change [(a)]	-14.8	35.4	79.7	3.8	-32.7	-5.0		-11.1
Operating costs								
31.03.2009	-1,507	-226	-20	-285	-30	-79	-167	-2,314
31.03.2008	-1,577	-234	-21	-278	-41	-84	-168	-2,403
% change [(a)]	-4.4	-3.4	-4.8	2.5	-26.8	-6.0	-0.6	-3.7
Operating margin								
31.03.2009	1,077	612	95	256	38	74	-330	1,822
31.03.2008	1,457	385	43	243	60	77	-15	2,250
% change [(a)]	-26.1	59.0		5.3	-36.7	-3.9		-19.0
Net income								
31.03.2009	399	289	54	81	17	28	207	1,075
31.03.2008	454	240	27	165	25	29	809	1,749
% change [(a)]	-12.1	20.4		-50.9	-32.0	-3.4	-74.4	-38.5
Loans to customers								
31.03.2009	188,543	110,543	39,783	29,531	-	1,764	17,322	387,486
31.12.2008	192,950	112,837	38,830	29,847	-	1,802	18,923	395,189
% change [(b)]	-2.3	-2.0	2.5	-1.1	-	-2.1	-8.5	-1.9
Direct customer deposits								
31.03.2009	220,433	106,300	4,950	26,794	-	6,358	71,429	436,264
31.12.2008	218,920	91,813	5,205	28,212	-	6,583	80,164	430,897
% change [(b)]	0.7	15.8	-4.9	-5.0	-	-3.4	-10.9	1.2

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

[(a)] The change expresses the ratio between 31.03.2009 and 31.03.2008.

[(b)] The change expresses the ratio between 31.03.2009 and 31.12.2008.

BUSINESS AREAS

Banca dei Territori

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes	
			amount	%
Net interest income	1,706	1,864	-158	-8.5
Dividends and profits (losses) on investments carried at equity	6	14	-8	-57.1
Net fee and commission income	772	1,034	-262	-25.3
Profits (Losses) on trading	29	30	-1	-3.3
Income from insurance business	63	79	-16	-20.3
Other operating income (expenses)	8	13	-5	-38.5
Operating income	**2,584**	**3,034**	**-450**	**-14.8**
Personnel expenses	-885	-937	-52	-5.5
Other administrative expenses	-609	-626	-17	-2.7
Adjustments to property, equipment and intangible assets	-13	-14	-1	-7.1
Operating costs	**-1,507**	**-1,577**	**-70**	**-4.4**
Operating margin	**1,077**	**1,457**	**-380**	**-26.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-23	-20	3	15.0
Net adjustments to loans	-370	-250	120	48.0
Net impairment losses on other assets	-3	-	3	-
Profits (Losses) on investments held to maturity and on other investments	-	1	-1	
Income (Loss) before tax from continuing operations	**681**	**1,188**	**-507**	**-42.7**
Taxes on income from continuing operations	-225	-388	-163	-42.0
Merger and restructuring related charges (net of tax)	-34	-245	-211	-86.1
Effect of purchase cost allocation (net of tax)	-64	-92	-28	-30.4
Income (Loss) after tax from discontinued operations	51	7	44	
Minority interests	-10	-16	-6	-37.5
Net income	**399**	**454**	**-55**	**-12.1**
Allocated capital	10,095	10,582	-487	-4.6
Profitability ratios (%)				
Cost / Income ratio	58.3	52.0	6.3	12.1
ROE	16.0	17.3	-1.2	-7.1
EVA® (in millions of euro)	279	591	-312	-52.8

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Loans to customers	188,543	192,950	-4,407	-2.3
Direct customer deposits	220,433	218,920	1,513	0.7
of which: due to customers	*136,621*	*140,763*	*-4,142*	*-2.9*
securities issued	*62,524*	*56,916*	*5,608*	*9.9*
financial liabilities designated at fair value through profit and loss	*21,288*	*21,241*	*47*	*0.2*

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

Following approval in December 2008 of the reinforcement project for the Banca dei Territori Division,

which aims to improve commercial efficiency in the areas covered and to relaunch marketing for the development of new products and services, at the same time maintaining adequate cost control, the territorial structure is divided into 8 Regional Governance Centres to coordinate 22 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.
In the Division, the Retail Marketing Department handles the Households (individual customers with financial assets under 100,000 euro), Personal (individual customers with financial assets of 100,000 to 1 million euro) and Small Business segments (family businesses and small enterprises with a turnover of less than 2.5 million euro and loan facilities of less than 1 million euro). The SME Marketing Department is responsible for managing companies with business volumes of between 2.5 and 150 million euro.

The new element covered by Banca dei Territori in the first quarter of 2009 was the launch of Banca di Credito Sardo, the result of an integration of Banca CIS and Intesa Sanpaolo branches operating in Sardegna. Banca di Credito Sardo, characterised as a true territorial bank for Sardinian businesses and households, aims at becoming the development engine for Sardegna, fully operative as a commercial bank. In addition to traditional medium-/long-term credit facilities for businesses, with specialist support from Mediocredito Italiano, the new bank will offer a much wider range of products and services for households (e.g. family budget sustainability and financial check-ups, flexible mortgages, loans to university students), businesses (investment support in innovation, development and internationalisation processes, support for agriculture and tourism), public administration and the social system (commitment to social, cultural and non profit activities, and infrastructure development).
As part of the reorganisation of leasing segment activities, Leasint left the Banca dei Territori Division to become part of the Corporate & Investment Banking Division.

Banca dei Territori closed the first quarter of 2009 with operating income of 2,584 million euro, representing 63% of the Group's consolidated revenue, recording a decrease compared to the corresponding period in 2008 (-14.8%). In greater detail, there was a fall in net interest income (-8.5%) particularly deriving from the reduced revenues from the customer deposits performance following the cut in market rates, which as a result led to a lower mark-down. Net fee and commission income (-25.3%) was affected by the negative trend of assets under management as a result of both outflow from mutual funds and the performance effect that considerably downsized assets, particularly the stock component. Among the other revenue items, profits on trading remained stable while income from insurance business decreased (-20.3%), mainly due to the financial management of companies operating in the life business. Operating costs decreased 4.4%, largely attributable to savings in terms of personnel expenses and other administrative expenses. The operating margin amounted to 1,077 million euro, down on the first three months of 2008 (-26.1%). Income before tax from continuing operations totalled 681 million euro, down 42.7%. This result was mainly due to net adjustments to loans, increasing considerably (+48%) due to the gradual deterioration of the economic situation which had begun towards the end of 2008 and continued in the first quarter of 2009. Lastly, after allocation of merger and restructuring-related charges to the Division of 34 million euro and the economic effects of purchase cost allocation for 64 million euro, net income was 399 million euro, down 12.1%.
The Division absorbed 43% of Group capital, slightly lower than the level recorded in the corresponding period of the previous year. In absolute terms, capital totalling 10,095 million euro recorded a decrease, mainly attributable to the retail and corporate segments after containment of assets at risk. As a result of the trend described for allocated capital and net income, annualised ROE fell to 16% from 17.3% recorded for the first quarter of 2008. Value creation stands at 279 million euro, down on the same period in 2008.
Balance sheet figures at the end of March 2009 showed loans to customers of 188,543 million euro (-2.3% since the end of December 2008) due to a decrease in short-term loans to retail and SME customers. Direct customer deposits totalled 220,434 million euro, increasing slightly (+0.7%) since 31 December 2008, benefiting from the increase in funding through securities.

In the first quarter of 2009, Retail Marketing Department activities focused on service quality improvement and monitoring customer needs, also through the application of new segmentation and portfolio allocation criteria, in addition to simplifying and renewing the product and service mix.
With regard to investments, the investment product range was designed to guarantee alignment between customer needs and risk profiles, at the same time promoting Group bonds, insurance products and asset management. The mix was enhanced in particular by two options consistent with the current market scenario and with customer demand for financial products with inbuilt capital protection: the "Fondo

Formula Azioni", for customers wishing to have capital protection on maturity yet benefiting from growth opportunities offered by the European share market and reducing market timing risk through gradual access to the market, and the new range of "GP Misurata" asset management which targets customers with liquidity/monetary investments who wish to exploit the opportunity of achieving better yields than those expected on the reference market, with limited increase in the risk level-time horizon ratio.
In the loans segment, so as to offer strong support to households in financial difficulty due to the delayed payment of salary integrations (CIGS or exceptional CIGS), the "Anticipazione Sociale" service was launched, envisaging a credit line with gradual release and with highly preferential economic conditions, usable up to the moment that the salary integration, including arrears, is credited to the account from the social security authority, and a zero-cost current account which must be linked to the credit line.
For Small Business customers, the "Riequilibrio Business" loan was launched, designed for companies wishing to improve their financial and capital structure to combat potential financial stress which, unless examined promptly, could generate imbalances. This loan privileges the option of backing by Confidi guarantees, consistent with credit policies and in the light of recent regulatory provisions attributing a key role to the syndicates in mitigating risk.
In March, during the 1st National Congress of the Italian accounting profession (1° Congresso Nazionale dei Dottori Commercialisti e degli Esperti Contabili) held in Torino, a marketing initiative was launched for accountants which envisages the availability of services and loans at special rates for professional and personal needs.
With a view to expanding the product mix offered to Business and Small Business customers two products were launched: the "Restart Mutuo", transforming loans into revolving credit to restore business credit based on investment needs and to accompany customers in long-term development, and "Extendi Mutuo", which envisages extension of the original duration of the loan in support of businesses that perform continuous investments.

In the first quarter of 2009, the Business Marketing Department continued the remodelling and promotion of activities performed jointly with Confidi. Among these is the commercial proposal, launched at the end of 2008, covering multiple products and targeting businesses associated with Eurofidi, interested in obtaining flexible, secured loans. Through this initiative specific lending limits were made available with repayment periods of up to 84 months.
In February 'Agriventure' was created, the Group's new competence centre for the development of products and financial services for the agrifood sector and the promotion of more innovative enterprise projects in the supply chain. Agriventure, a joint venture between Intesa Sanpaolo and Banca CR Firenze, will develop activities mainly along three lines: research, analysis and processing of innovative technical solutions in support of business development projects in the sector; specialist support to the branch network and all departments of the Intesa Sanpaolo Group; coordination between businesses and institutions, providing support in identifying the most appropriate legal, corporate and financial instruments. Agriventure intends to extend the range of financial services, in particular through product innovation by sector/segment/chain and providing support to Group branches in structuring tailor-made initiatives for the more innovative businesses.

In the first three months of the year, activities continued to concentrate the Group's private networks into Intesa Sanpaolo Private Banking. Specifically, in March 2009 the branches and detached private offices of Intesa Sanpaolo, Banco di Napoli and Cassa di Risparmio del Friuli Venezia Giulia were contributed to Intesa Sanpaolo Private Banking. The integration process was successfully completed at the end of the quarter with the transfer, in April, of the private branches of Banca dell'Adriatico and Carive and, in May, of CR Veneto and Carisbo. The distribution network rationalisation programme also continued, particularly with regard to local branch mergers downstream of corporate operations. In the first three months of 2009 the commercial activities of the Private Banking Department were characterised by the considerable placement of Parent Company bonds. In addition, Banca IMI certificates were offered with different types of underlying asset class and with capital secured or protected on maturity.

Banks in the Banca CR Firenze group, for which the IT integration process had not yet been completed in the first quarter of 2009, were not included in the divisions but represented according to their legal status under Banca dei Territori.
The first quarter results for the Banca CR Firenze group, including those of the Casse del Centro following the acquisition of control at the end of December 2008, recorded income before tax from continuing operations of 88 million euro, down 32.7% on the same period last year due to the weak performance of revenues, particularly net interest income which was penalised by the persistent cuts in reference rates and income from insurance business, and by the significant increase in net adjustments to loans.

In the first quarter of 2009, Mediocredito Italiano recorded an operating margin of 44 million euro, up 26.1% compared to the same period last year, due to higher operating income attributable mainly to the interest margin. Income before tax from continuing operations amounted to 14 million euro, with a 5.4% increase compared to the first quarter of 2008.

Consumer credit activities are performed through Moneta (formerly CFS). The Moneta operating margin for the first quarter of 2009 reached 13 million euro (compared to 5 million euro in the corresponding period of the previous year).
Setefi, the company specialised in the management of electronic payment systems and wholly owned by Moneta, recorded a 17.8% increase in income before tax from continuing operations in the first quarter of 2009, linked to the increase in operations in terms of credit card issues, transaction volumes and POS installed.

In the first quarter of 2009, Banca Prossima, which operates in the non-profit sector with 52 local branches and almost 90 specialists distributed across the country, continued to acquire new customers for the Group. As at 31 March 2009 the stock of financial assets exceeded 370 million euro, 168 million euro of which in demand deposits. Loans agreed in the period totalled approximately 200 million euro.

Banca dei Territori also includes the Group's insurance/pension companies.
With regard to EurizonVita, activities in the first three months of 2009 were mainly focused on support to the Banca dei Territori, with initiatives targeting the development of traditional products for the retail and private banking channels. The promotion of non-life business also continued through the EurizonTutela product range. Numerous initiatives were implemented to improve the quality of service to customers and the branch networks, and for organisational and operational actions linked to regulatory changes. In the first quarter of 2009, EurizonVita recorded income before tax from continuing operations of 35 million euro, down 13.8% on the same period last year as a result of the financial performance of traditional and portfolio products, affected by portfolio divestment policies which were penalised by market volatility and the impairment of assets under management. The investment portfolio amounted to 35,243 million euro, while the insurance policies portfolio amounted to 34,699 million euro, including 20,190 million euro from financial unit- and index-linked policies.
Sud Polo Vita's income before tax from continuing operations was over 3 million euro, compared to the 2 million euro loss in the first quarter of last year, due to the increase in income from insurance business with stable operating costs.
Intesa Vita (consolidated by the equity method) made a lower contribution to the consolidated income statement as a result of reduced financial revenues linked to the fall in new production.
At the end of the first quarter of 2009, the value of assets under management by Intesa Previdenza totalled 1,602 million euro, down 6.7% on the start of the year, also in relation to the exit of the Cariparma closed-ended pension fund and FriulAdria. However, net deposits for the first three months of the year were positive in terms of both open- and closed-ended funds. In March the company acquired the administration mandate for two EurizonVita individual pension policies. At the end of March 2009 the company administered approximately 203,500 positions, 54% of which attributable to its own open-ended pension funds and the remainder under administration mandates for closed-ended pension funds and third parties.

Corporate & Investment Banking

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes	
			amount	%
Net interest income	491	373	118	31.6
Dividends and profits (losses) on investments carried at equity	1	3	-2	-66.7
Net fee and commission income	245	223	22	9.9
Profits (Losses) on trading	84	4	80	
Income from insurance business	-	-	-	-
Other operating income (expenses)	17	16	1	6.3
Operating income	**838**	**619**	**219**	**35.4**
Personnel expenses	-94	-97	-3	-3.1
Other administrative expenses	-130	-133	-3	-2.3
Adjustments to property, equipment and intangible assets	-2	-4	-2	-50.0
Operating costs	**-226**	**-234**	**-8**	**-3.4**
Operating margin	**612**	**385**	**227**	**59.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-3	-1	2	
Net adjustments to loans	-173	-23	150	
Net impairment losses on other assets	-1	-3	-2	-66.7
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**435**	**358**	**77**	**21.5**
Taxes on income from continuing operations	-142	-109	33	30.3
Merger and restructuring related charges (net of tax)	-4	-12	-8	-66.7
Effect of purchase cost allocation (net of tax)	-	3	-3	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**289**	**240**	**49**	**20.4**
Allocated capital	8,077	7,887	190	2.4
Profitability ratios (%)				
Cost / Income ratio	27.0	37.8	-10.8	-28.6
ROE	14.5	12.2	2.3	18.6
EVA® (in millions of euro)	97	65	32	49.2

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Loans to customers	110,543	112,837	-2,294	-2.0
Direct customer deposits	106,300	91,813	14,487	15.8
of which: due to customers	*37,744*	*37,787*	*-43*	*-0.1*
securities issued	*64,694*	*50,148*	*14,546*	*29.0*
financial liabilities designated at fair value through profit and loss	*3,862*	*3,878*	*-16*	*-0.4*

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

The Corporate & Investment Banking Division began the first quarter of 2009 with increased competencies and a broad diversification of business portfolio activities. From the beginning of the year Leasint, the

Group leasing company, was included under this Division.
In the first quarter of 2009 the Division recorded an operating margin of 838 million euro (representing 20% of the consolidated total for the Group), up 35.4% on the same period in 2008.
Net interest income reached 491 million euro, a significant growth (+31.6%) in a difficult market context characterised by high-level competition on the reference markets. The positive performance was particularly driven by the increase in average loan volumes (+14.3%), added to which was an increased mark-up, mainly due to the effects of repricing policies on loans in relation to higher risk generated since the end of 2008. Net fee and commission income totalling 245 million euro increased by 9.9%, mainly attributable to the investment banking segment and especially to M&A and the primary market (equity and debt capital). Profits on trading, amounting to 84 million euro, recorded an 80 million euro increase on the first quarter of 2008, due to significant contributions from capital market trading and corporate finance which exploited market opportunities well, despite the difficult context characterised by strong volatility. The contribution from proprietary portfolio management also improved, characterised by a risk containment policy. Operating costs totalled 226 million euro, down 3.4% on the corresponding period of 2008, benefiting from across-the-board cost savings.
As a result of the trend in revenues and costs described above, the operating margin, amounting to 612 million euro, recorded a 59% increase. Net adjustments to loans increased compared to the first three months of 2008 (+150 million euro), penalised by the difficult market context arising at the end of 2008. Income before tax from continuing operations amounted to 435 million euro, with a significant increase (+21.5%) compared to the same quarter in 2008. Lastly, net income recorded a similar result, 289 million euro, up 20.4%.
The Division absorbed 34% of Group capital, slightly higher than in the first quarter of 2008. In absolute terms, capital increased as a result of higher credit risk in the cash component, reflecting the period-end increase in loans mainly in the large and mid-corporate segments and in corporate foreign network counterparties. This result more than offset the reduced market risk linked to capital market activities. The sector performance is reflected in the growth in annualised ROE from 12.2% to 14.5%. EVA® reached 97 million euro, up on the same period last year.
The cost/income ratio was 27%, compared to 37.8% in the first quarter of 2008, recording an improvement by almost 11 percentage points.
Volumes traded by the Division were up on the opening figure for the year (+6%). This development should be viewed in relation to a significant increase in funding (+15.8%), which especially benefited from the increase in securities transactions, particularly as a result of the placement of Banca IMI bonds. Despite the steady development of Corporate Relations Department loans both in Italy and abroad, loans to customers fell since the beginning of the year (-2%) due to a decrease in Banca IMI repurchase agreements with institutional operators and financial intermediaries. Excluding this effect, loans to customers remained at similar levels to those of the end of 2008.

In the first quarter of 2009 the Corporate Relations Department confirmed its strong share of wallet. Average volumes grew in the large-corporate segment and remained stable in the mid-corporate segment, for which the mix of short and medium/long term loans remained unchanged. In particular, loans to better-rated counterparties increased, as a result of constant monitoring of the portfolio risk profile and adoption of the new Group rating model. Despite the fact that the difficult market context discourages extraordinary transactions, the corporate service model confirmed its effectiveness in developing structured finance and investment banking transactions in the mid-corporate segment with 15 transactions concluded in the first three months of 2009. To facilitate a stronger focus by large corporate managers on commercial and lending aspects, a project is currently being implemented to provide the large hubs with dedicated back office support, replacing the retail branches in terms of managing administrative operations. Lastly, activities continued to increase commercial process efficiency, to integrate the derivatives mix with that of other Group companies and to develop new Capital Market products with a view to enhancing the range offered and to further improve response times to customer needs.

The distribution structure of the International Network Department directly covers 34 countries through 16 wholesale branches, 22 representative offices, three subsidiary banks and one advisory firm. Activities in the first quarter of 2009 continued in line with the mission, aimed at encouraging and supporting the internationalisation of Italian companies, developing relations with the foreign multinationals, promoting and supporting existing activities in the operating countries, with priority given to the Italian market, and maximising cross-selling opportunities for products and services offered by this Division and by other product companies in the Group.
The Department supervises the following banks abroad:

- Société Européenne de Banque, which recorded net income of 18 million euro in the first three months of 2009, up 2% on the corresponding period of 2008, due to increased revenues (+1.5%) sustained by the interest margin and to reduced costs (-9%);
- Intesa Sanpaolo Bank Ireland, which closed the first quarter of 2009 with a 51.3% decrease in net income, penalised by the losses on trading which felt the impact of the fair value assessment (negative mark to market) of certain bonds in the trading book;
- Zao Banca Intesa, which recorded a net income of almost 6 million euro, compared to 1 million euro for the first quarter of 2008, due to increased revenues generated mainly as a result of a positive service management performance.

The policy of the Financial Institutions Department in the first quarter of 2009 focused on maximum selectivity, confirming the prudent approach to merchant banking and establishing a gradual reduction of insurance business exposure, especially where risks linked to United States banking activities are prevalent. In particular, numerous existing credit lines were renewed with wider spreads than those expiring, and the rationalisation policy on loans continued, privileging loans with well-known counterparties with good standing, on short positions and in support of cross-selling activities. With regard to international payments, the consolidation process for existing customers and the acquisition of new customers continued. In the commercial banking sector, a number of projects were concluded with regard to special-arrangement services distributed through third party branches (Mediolanum, Vittoria Assicurazione and Compass). In relation to fund services, in the first quarter of 2009 the negative of 2008 reduced considerably and asset manager activities were concentrated on the search for simpler products with capital guarantees. Pension and real estate funds continued to grow, whereas the performance of speculative funds was negative. Lastly, with regard to custody services, volumes remained at a good level due to the acquisition of new market flows from foreign operators and increased transactions on Italian government securities, especially in relation to funding. During the quarter a request was received, as yet rather undeveloped, for foreign-to-foreign services from a number of key customers. This area of activity is covered by the Mediobanca mandate for the management of foreign securities.

Though Italian M&A in the first quarter of 2009 dropped over 85% compared to the same period in 2008, the Investment Banking Department, through Banca IMI, achieved good results on the domestic market. The bank is among the leaders in terms of number and totals of transactions. In the energy & utilities sector, support was given to ENI in the disposal of 100% of Italgas Più and Stoccaggi Gas Italia to Snam Rete Gas, to Iride for the planned merger with Enia, and to Enel with regard to the possible disposal of Enel Rete Gas. In the general industry sector, the department followed the acquisition of Jolly Motor International, provided support to Avitour in the sale of certain assets and to the Franza Group in the disposal of a minority interest. In the equity sector, due to unfavourable reference market conditions, activities concentrated on capital increases, linked to the need for financial restructuring and for restoring adequate capitalisation levels. Among the main activities were the HSBC, SEB and Nordea share capital increases and the forthcoming Enel capital increase. In the United States, Banca IMI also acted as co-manager in the placement of equity units issued by Johnson Controls Inc. At the end of March 2009 the department was specialist or corporate broker for 31 companies quoted on the Italian market, thereby confirming its leadership in this market segment. With regard to debt capital markets, for the Greek Government the department acted as joint lead manager in the 5-year government issue, organised the private placement of a 4-year FRN and, as co-lead manager, participated in all other issues in the period in Greece and by the European Investment Bank. It acted as joint bookrunner for the reopening of the Finmeccanica issue and for the new issues by Daimler AG and E.ON, and as co-lead manager in numerous corporate issues in Europe (Schneider, Volkswagen, Inbev, Telefonica) and in the United States (Wal-Mart, Duke Energy, Conoco, Abbott Labs). In addition, the department completed the structuring and granting of credit facilities in support of the CeBI-Cerved group takeover. In the real estate market the department structured the refinancing of MSREF Turque S.a.r.l. and the financing for the tourist port in Loano (province of Savona). With regard to loan agency activities, it acquired mandates from Campari, Bulgari, Enel Rete Gas and Marina di Loano. In the syndication segment, the department participated in the Enel financing for the purchase of a further 25.01% of Endesa SA share capital from Acciona SA through the early exercise of a put option by Acciona SA.

Among the initiatives concluded in the first quarter of 2009 by the Merchant Banking Department, either directly or through related Group companies, was the participation in the first stage of the Alis-Aerolinee Italiane S.p.A. share capital increase for an investment of 33.3%, amounting to 5 million euro. With regard to venture capital initiatives, the subscription period ended and operations were launched for the closed-ended fund Atlante Ventures Mezzogiorno, for a total of 25 million euro, in addition to the other private equity funds sponsored and managed by the Group for a total commitment of 330 million euro. In particular, the aim of the fund is to invest primarily in companies with registered office and/or production activities in Southern Italy, as early stage financing or expansion capital for investment projects in these areas to introduce process or product innovation using digital technology. As at 31 March 2009 the portfolio held directly and through subsidiaries amounted to 2.5 billion euro, of which 2.3 billion euro invested in companies and 0.2 billion euro in private equity funds.

The Corporate & Investment Banking Division also comprises the activities of the Capital Markets Department which includes Banca IMI and the capital markets and investment banking business units of the Parent Company Intesa Sanpaolo. In the fixed-income segment, during the first quarter of 2009 the structural extension of the bid offer spreads and return to market trading of plain vanilla products (cash, swap, forex, etc.) favoured Banca IMI's market making activities, consolidating its domestic leadership. Hedging flows on issues, notes and certificates reach highly significant volumes, as did exchange and commodities activities with corporate customers. Risk management continued to be particularly prudent but gave significant results. After the particularly negative phase that characterised the stock markets at the beginning of 2009, the equity segment saw an almost total absence of cash flows from customers. Share issue hedging and securities lending activities recorded strong decreases, whilst ETF business (in which Banca IMI continues to occupy a leading position in Italy, Germany and France) and certificates saw a strong movement. Bonds dedicated to the retail segment totalled 10.3 billion euro, recording an increase of over 75% compared to March 2008. The search for simplified products steered the preference towards structures linked to interest rate performance. It should also be mentioned that two Banca IMI 2-year floating-rate note issues were launched, for use as underlying assets in repo transactions. In the business customer segment, interest rate activities recorded 430 new transactions for a notional total of 609 million euro, 90.7 million euro of which through the IDEA channel. With regard to exchange rate transactions, 216 new transactions were completed for an outstanding total of 320 million euro. In private banking, customers confirmed their interest in products with a simple pay-off and guaranteed capital. Certificates were placed with underlying inflation indexes, commodities and stock indexes (mainly European). For bonds, the preference was for those linked to interest rates and foreign currencies.

The Corporate & Investment Banking Division is also responsible for the operations of Mediofactoring, which as at 31 March 2009 recorded a turnover of 6 billion euro, down 1% compared to the March 2008 figure. Current receivables also decreased (-8% since the beginning of the year). Operating income, at 39 million euro, rose by 13.8% due to the increase in net interest income (+22.2%), which benefited from the growth in average loans (+21.8%). Income before tax from continuing operations amounted to 24 million euro, with a 3.4% reduction compared to the same quarter in 2008. Net income remained steady at 15 million euro.

Lastly, included among the Division’s activities is Leasint, the second most important operator in the domestic leasing market with a market share of approximately 9%. In the first quarter of 2009, Leasint stipulated approximately 2,600 new contracts for a total value of 536 million euro, almost 50% less than the same period in 2008. With regard to portfolio composition, 47.8% of the contracts signed referred to securities, 43.5% to property and 8.7% to vehicle leases. Operating income totalled 63 million euro, up on the same period last year (+6%) due to the positive performance of the interest margin. The operating margin increased by 10.6%, benefiting from overall cost savings. Net income amounted to 13 million euro, with a decrease of 39.8% compared to the first quarter of 2008, due to increased net adjustments to loans.

Public Finance

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes	
			amount	%
Net interest income	114	66	48	72.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	10	16	-6	-37.5
Profits (Losses) on trading	-11	-18	-7	-38.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	-	2	-
Operating income	**115**	**64**	**51**	**79.7**
Personnel expenses	-9	-9	-	-
Other administrative expenses	-11	-12	-1	-8.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-20**	**-21**	**-1**	**-4.8**
Operating margin	**95**	**43**	**52**	
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	1	1	-	-
Net adjustments to loans	-4	1	-5	
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**92**	**45**	**47**	
Taxes on income from continuing operations	-37	-16	21	
Merger and restructuring related charges (net of tax)	-	-1	-1	
Effect of purchase cost allocation (net of tax)	-1	-1	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**54**	**27**	**27**	
Allocated capital	934	1,076	-142	-13.2
Profitability ratios (%)				
Cost / Income ratio	17.4	32.8	-15.4	-47.0
ROE	23.4	10.1	13.4	
EVA® (in millions of euro)	32	3	29	

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Loans to customers	39,783	38,830	953	2.5
Direct customer deposits	4,950	5,205	-255	-4.9
of which: due to customers	*3,082*	*3,301*	*-219*	*-6.6*
securities issued	*1,868*	*1,904*	*-36*	*-1.9*

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

In the first quarter of 2009, Public Finance provided services to government, public entities, local entities, public utility companies, general contractors and public and private health customers through Banca Infrastrutture Innovazione e Sviluppo (BIIS).
The results for the first three months of 2009 recorded a significant increase in revenues and net income,

despite the difficult market situation. The operating margin amounted to 115 million euro, with a 79.7% increase compared to the first three months of 2008. Specifically, net interest amounted to 114 million euro and recorded a significant increase (+72.7%), reflecting the steady development in average loans to customers (+0.2%, including bonds subscribed by public entities), also benefiting from the extended spreads resulting from the rapid decrease in market rates in the first three months of 2009 and the enhancement of the liquidity of the asset portfolio. Net fee and commission income, amounting to 10 million euro, mainly derived from structuring performed on behalf of customers during the quarter, and was 37.5% lower than the figure for the first three months of 2008. Losses on trading, however, reduced compared to the first quarter of 2008, despite the unfavourable market situation, also reflected in the assessment effects of credit risk adjustment on customer derivatives.
Operating costs amounted to 20 million euro, down 4.8% as a result of a decrease in administrative expenses. The cost/income ratio was 17.4% (down by over 15 percentage points on the first three months of 2008). As a consequence of the results described, the operating margin totalled 95 million euro, recording a 52 million euro increase compared to the first quarter of 2008. Likewise, income before tax from continuing operations amounted to 92 million euro, against 45 million euro for the first three months of 2008. Lastly, net income totalled 54 million euro, double the figure for the first quarter of last year.
The allocated capital amounted to 934 million euro, down on the first quarter of 2008 as a result of the reduction of credit risks attributable to rebalancing of the portfolio towards better-rated counterparties. Annualised ROE, benefiting from both the higher profits and capital containment, recorded an increase from 10.1% to 23.4%. EVA® reached 32 million euro, up on the corresponding period of the previous year.
With regard to the main balance sheet figures, loans to customers totalling 39,783 million euro were up 2.5% on the start of the year due to the effect of new business developed during the quarter, in continuing partial stagnation of infrastructural projects and a higher degree of caution adopted abroad. Direct customer deposits, amounting to 4,950 million euro, decreased (-4.9%) due to the use of overdraft liquidity by counterparties, also in relation to the economic crisis, and due to the decrease in securities issued.

In the first quarter of 2009, to support and promote the development of large national infrastructures, activity continued on large motorway projects, including advisory services for the BreBeMi project (Brescia-Bergamo-Milano motorway) and the Milan East outer ringroad.
In support of health services, universities and scientific research, funding continued to Milano University for the construction of the Lodi veterinary hospital. To improve public services and utilities, a syndicated loan was granted to Multiservizi S.p.A., manager of the integrated water services for the Ancona ATO, to fund investments envisaged in the Environmental Plan. Previously, the division acted as advisor for the operation.
In relation to alternative low environmental-impact energies, the division is involved in several wind farm and photovoltaic projects, including financing to Enia Energia and Alerion for the construction of photovoltaic plants in the Puglia region.
In terms of support for the public sector financial balance, the stipulation and allocation of loans continued to cover multi-year investment costs of various local entities (including Milan provincial government, and the city councils of Torino, Roma, Venezia and Monza).
As part of the priority investment programmes for defence, that benefit from State subsidies, disbursements continued in favour of defence system suppliers (Agusta S.p.A., Thales Alenia Space Italia S.p.A.).
Among the urban and territorial development projects, advisory activities continued for the construction and management of the Montello Bergamo Interport, for the construction of approximately 42 car parks in Rome and for the car park of the new hospital in Bergamo. The lease transaction planned for the construction of a school in the province of Bologna and the property lease for the renovation of the Sassari municipal offices should also be mentioned.
With regard to public & infrastructure finance activities abroad, the London branch of BIIS was opened in support of international Public Finance Department activities. Disbursements also continued for road and motorway projects in several European countries, whilst a new syndicated loan agreement was signed with other banks and with the role of joint mandated lead arranger for the modernisation of a station on the Madrid underground railway.
In the urban waste management sector, participation in financing to Riverside Resource Recovery Ltd., for the construction in London of the UK's largest waste-to-energy plant should be noted. The division acted as mandated lead arranger for this operation which was completed on a project financing basis..
In the energy sector, a bond issue was subscribed in favour of Redes Energéticas Nacionais, the Portuguese high-voltage electricity distributor and natural gas carrier and storage operator. With regard to low environmental impact energies, disbursements continued for the construction of wind farms in Spain.

International Subsidiary Banks

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes	
			amount	%
Net interest income	350	319	31	9.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	125	145	-20	-13.8
Profits (Losses) on trading	69	59	10	16.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	-3	-2	1	50.0
Operating income	**541**	**521**	**20**	**3.8**
Personnel expenses	-146	-145	1	0.7
Other administrative expenses	-104	-100	4	4.0
Adjustments to property, equipment and intangible assets	-35	-33	2	6.1
Operating costs	**-285**	**-278**	**7**	**2.5**
Operating margin	**256**	**243**	**13**	**5.3**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	11	-4	15	
Net adjustments to loans	-170	-41	129	
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	1	2	-1	-50.0
Income (Loss) before tax from continuing operations	**98**	**200**	**-102**	**-51.0**
Taxes on income from continuing operations	-17	-35	-18	-51.4
Merger and restructuring related charges (net of tax)	-	-1	-1	
Effect of purchase cost allocation (net of tax)	-	1	-1	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**81**	**165**	**-84**	**-50.9**
Allocated capital	1,953	1,811	142	7.8
Profitability ratios (%)				
Cost / Income ratio	52.7	53.4	-0.7	-1.3
ROE	16.8	36.6	-19.8	-54.1
EVA® (in millions of euro)	12	93	-81	-87.1

(in millions of euro)

	31.03.2009	31.12.2008	Changes	
			amount	%
Loans to customers	29,531	29,847	-316	-1.1
Direct customer deposits	26,794	28,212	-1,418	-5.0
of which: due to customers	*25,129*	*26,285*	*-1,156*	*-4.4*
securities issued	*1,665*	*1,927*	*-262*	*-13.6*

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

The International Subsidiary Banks Division is responsible for the Group’s activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking. With effect from 1 January 2009, 3 new subsidiaries were acquired: Centurion, a credit card company, acquired by Banka Koper and PBZ; Finor Leasing by Banka Koper and Intesa Leasing Beograd by Banca Intesa Beograd.

The distribution structure, including recent acquisitions, directly covers 13 countries and is made up of 1,915 branches.

In the first quarter of 2009, the Division recorded a 3.8% increase in operating income, compared to the same period in 2008, to reach 541 million euro. Performance was penalised by a depreciation of local currencies. Excluding this effect, there would have been a 10% increase in revenues.
Specifically, net interest income reached 350 million euro, with a 9.7% increase compared to the 319 million euro of the first quarter of the previous year. The increase is attributable to the growth in average volumes (+9.3%), sustained by the rise in loans to customers (+22.4%) and general stability in direct customer deposits (+0.2%). The increase in the interest margin is attributable to VUB Banka for 18 million euro and to Bank of Alexandria for 14 million euro.
Net fee and commission income fell by 13.8% (125 million euro against 145 million euro), particularly attributable to Pravex Bank (-7 million euro), CIB Bank (-5 million euro), Privredna Banka Zagreb (-3 million euro) and Bank of Alexandria (-2 million euro). This performance was affected by the decreased revenues linked to indirect deposits.
Profits on trading totalled 69 million euro, compared to 59 million euro for the first three months of 2008, mainly due to the contribution from CIB Bank (+30 million euro), offsetting the decreases recorded by Bank of Alexandria (-16 million euro) and VUB Banka (-5 million euro).
Operating costs grew 2.5% to 285 million euro. Whereas personnel expenses remained in line with the same period last year, administrative expenses and amortisation/depreciation increased by 4% and 6.1%, respectively.
As a consequence of the trends described above, the operating margin rose to 256 million euro (+5.3%). Income before tax from continuing operations of 98 million euro (-51%) reflects the stronger net adjustments to loans, increasing from 41 million euro to 170 million euro. The Division closed the first quarter of 2009 with net income of 81 million euro (-50.9% compared to the same period in 2008).
Allocated capital represented 8% of the Group's capital and amounted to 1,953 million euro, up 7.8% on the level recorded for the corresponding quarter of the previous year. The weak performance in economic results, together with the increase in capital, led to a decrease in annualised ROE to 16.8% (from 36.6% in the first quarter of 2008). Value creation, expressed in terms of EVA®, fell to 12 million euro.

Banka Koper recorded an operating income of 23 million euro, 4.3% higher than in the corresponding quarter of 2008. This rise was due to higher net interest income (+11.6%), which had benefited from a 19.8% increase in average volumes with customers and offset the lower figures recorded as fee and commission income (-4.4%) and profits on trading (-35.7%). Operating costs increased by 4.1% due to the expansion of all components. Net adjustments to loans increased by 87.3% compared to the first quarter of 2008, due to deterioration of the macroeconomic situation. Net income amounted to 5.5 million euro, compared to 6 million euro for the same period in 2008.

The VUB Banka group's operating margin was 61 million euro, up 13.4% on the corresponding period in 2008. Operating income increased by 12.2%, mainly due to the positive performance of net interest income, which benefited from the increased average volumes with customers (+38% loans; +24.1% deposits) and in the total spread. However, net fee and commission income decreased (-4.9%) as a result of lower income from insurance products and asset management. Profits on trading also fell (-75.6%) due to lower profits from foreign exchange transactions following the introduction of the euro in Slovakia at the beginning of the year. Operating costs totalled 56 million euro, up 11% due to increased personnel expenses (+18%) and higher administrative expenses (+7%). The increase in net adjustments to loans (from 7 million euro to 25 million euro) is attributable to the deteriorating quality of credit as a result of the economic crisis. Taking into account the positive effect of the release of the provisions for risks and charges (+12 million euro) following success in a legal dispute, net income totalled 39.5 million euro, up 7.9%.

The CIB Bank group recorded an operating margin of 134 million euro, up 21.9% on the corresponding period in 2008. The increased revenues can be attributed to the increase in net profits on trading (+30 million euro), mainly due to the rise in coupons from derivatives, in net interest income (+4.4%) from a growth in average volumes traded with customers (loans +14.5%), which offset the decrease in the total spread following the increase in system competitiveness. Operating costs largely remained stable due to the effect of reduced personnel expenses and amortisation/depreciation, which offset the increase in administrative expenses. Following increased net adjustments to loans – 70 million euro compared to 20 million euro for the first quarter of 2008 – net income was 0.5 million euro, compared to 23 million euro in the first quarter of 2008.

In the first quarter of 2009, the Privredna Banka Zagreb group's operating income reached 108 million euro (+0.3% compared to the same quarter of the previous year). This performance benefited from the increased net profits on trading (+73.7%) which offset the drop in net interest income (-3.9%) and net fee and commission income (-8.4%). Operating costs remained stable, recording a figure of 55 million euro as a result of increased personnel expenses and amortisation/depreciation, and a reduction in other administrative expenses. The above-mentioned trends brought operating margin to 53 million euro (+0.5%). Net adjustments to loans increased to 16 million euro due to strong provisioning against a deterioration in market conditions and low borrower liquidity. Net income amounted to 29 million euro, down 22.4% on the first quarter of 2008.

Banca Intesa Beograd recorded an operating margin for the first quarter of 2009 of 30 million euro, in line with the figure for the corresponding period of 2008. The increase in operating income (+1.9%) was offset by the increase in operating costs (+4.7%), particularly due to administrative expenses (+11.3%), mainly relating to rents and advertising expense for two current account campaigns. Revenues were positively influenced by the favourable trend of net interest income (+12%) that benefited from the increase in average volumes with customers (+43% loans to customers; +1% customer deposits) following the expansion in operations and the rise in spreads. On the other hand, profits on trading fell (-47.6%) due to the reduction in foreign exchange transactions. Taking into account the high adjustments to loans, net income totalled 14.5 million euro compared to 20 million euro for the first three months of last year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first quarter of 2009 with an operating margin of 1.2 million euro, down 32.6% compared to the same quarter in 2008. This is attributable to the decrease in revenues (-4.3%), mainly due to the lack of a trading contribution to the result which eroded the positive contribution of net interest income (+3.2%), and to the increase in operating costs (+9.2%) incurred for expansion of the distribution network. Net adjustments to loans fell by 32.4%, due to an improvement in the quality of credit that led to reduced specific provisions. Net income amounted to 0.2 million euro, compared to 0.4 million euro for the same period in 2008.

Intesa Sanpaolo Bank Albania posted an operating margin of 5 million euro, down 5.6% on the corresponding period in 2008. This result was due to the 8.2% increase in all operating cost components. Revenues, however, remained essentially stable: net interest income increased mainly as a result of the increase in average loans to customers (+2.8%) and total spread, and from depreciation of the local currency. Net fee and commission income decreased (-9.5%), especially from collections and payments, and profits on trading fell (-16.9%) following negative results in Foreign Exchange activities. After net adjustments to loans of 1.2 million euro, the net income was a positive 3 million euro, down 40% compared to the first quarter of 2008.

In the first quarter of 2009 Intesa Sanpaolo Bank Romania recorded an operating margin of 3 million euro, a 61.4% rise over the corresponding period of 2008. Operating income (+61%) benefited from the good performance of net interest income, which more than doubled, linked to the increase in average volumes with customers (+39.9% loans to customers) and in the spread. Net fee and commission income decreased (-26.5%) as a result of reduced commercial activities with customers. Profits from trading increased (+57.5%) due to higher profits from foreign exchange transactions. The growth in operating costs (+60.8%) was driven by the rise in human resources and the development of the distribution network. Net adjustments to loans amounted to 1.5 million, up on the same period in 2008 due to impairment of the loans portfolio. Net income amounted to 1.2 million euro (+31.1% on the first three months of 2008).

KMB Bank's income statement for the first quarter closed with a loss of 23 million euro, compared to 4 million euro profit for the same period in 2008. In detail, net interest income fell due to a reduction in volumes traded and from a contraction in the spread resulting from the general decrease in market rates. Trading recorded losses due to the substantial write-downs on securities (mark to market), which the positive performance on the stock market failed to offset. On the other hand, net fee and commission income increased (+29.2%) due to greater cash transactions and from collection and payment services. Operating costs were essentially in line with the first three months of last year (-0.5%). Net adjustments to loans increased significantly to reach 24 million euro, due to an increase in the non-performing loans portfolio linked to the Russian market crisis.

The operating margin for Pravex Bank totalled 3.2 million euro (-3.8% compared to the same period last year). Operating income fell by 25.7%, affected by exchange rate depreciation (change in local currency +1.8%). In particular, the 61.6% decrease in net fee and commission income, attributable to reduced lending activities, more than offset the increase in net interest income (+3.6%), sustained by the increased volumes in local currency and by profits on trading (+16.9%) linked to the higher volume of transactions with customers. Operating costs fell by 29.3%, mainly due to reduced personnel expenses (-34.3%) as a result of workforce downsizing. Net adjustments to loans, which totalled 12 million euro, felt the impact of the deteriorating quality of credit caused by the macroeconomic situation. Pravex Bank recorded a loss of 7 million euro, compared to the 1 million euro profit for the first quarter of 2008.

Bank of Alexandria's net income was 21 million euro, against 35 million euro in the first three months of 2008. Operating income decreased (-7.4%), following the reduction in profits on trading, mainly in the valuation component, and in net fee and commission income which in the comparison period included positive components related to mutual funds. This performance absorbed the increase in net interest income, which rose to 35 million euro compared to 21 million in the first quarter of 2008. Operating costs increased by 14%, particularly administrative expenses (+47.3%) in relation to the network expansion process, and in adjustments (+27.2%).

Eurizon Capital

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes amount	Changes %
Net interest income	1	2	-1	-50.0
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	59	97	-38	-39.2
Profits (Losses) on trading	2	2	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	6	-	6	-
Operating income	**68**	**101**	**-33**	**-32.7**
Personnel expenses	-13	-15	-2	-13.3
Other administrative expenses	-17	-25	-8	-32.0
Adjustments to property, equipment and intangible assets	-	-1	-1	
Operating costs	**-30**	**-41**	**-11**	**-26.8**
Operating margin	**38**	**60**	**-22**	**-36.7**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-1	-1	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**38**	**59**	**-21**	**-35.6**
Taxes on income from continuing operations	-11	-17	-6	-35.3
Merger and restructuring related charges (net of tax)	-	-1	-1	
Effect of purchase cost allocation (net of tax)	-10	-16	-6	-37.5
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**17**	**25**	**-8**	**-32.0**
Allocated capital	92	84	8	9.5
Profitability ratios (%)				
Cost / Income ratio	44.1	40.6	3.5	8.6
ROE	74.9	119.7	-44.8	-37.4
EVA® (in millions of euro)	24	40	-16	-40.0

(in millions of euro)

	31.03.2009	31.12.2008	Changes amount	Changes %
Assets under management	125,523	129,161	-3,638	-2.8

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

Eurizon Capital SGR controls the subsidiaries Eurizon Capital SA (Luxembourg), Eurizon A.I. SGR, Epsilon Associati SGR, responsible respectively for the management of mutual funds incoporated under Luxembourg law, funds of hedge funds and mutual funds using quantitative methods, CR Firenze Gestion Internationale SA (Luxembourg), a mutual investment fund company based in Luxembourg, and Intesa Distribution International Services SA (Luxembourg).

With regard to initiatives to streamline activities in Luxembourg and to achieve synergies, on 25 February 2009 Eurizon Capital SA resolved upon a merger by incorporation between Intesa Distribution International Services and CR Firenze Gestion Internationale.

In terms of the product mix, during the first quarter of 2009 the new "Eurizon Focus Formula Azioni 2015" fund established by Eurizon Capital SA was placed, as was the merger of speculative funds promoted and managed by Eurizon A.I. with a view to simplifying the range.

The total assets managed by Eurizon Capital as at the end of March 2009 amounted to 126 billion euro, down 2.8% since the start of the year due to the outflow from mutual funds that mainly involved UCITS and, to a lesser extent, retail management. Despite the unfavourable market, Eurizon Capital improved the mutual funds portion compared to the beginning of the year.
Operating income recorded for the first quarter of 2009 was 68 million euro, down 32.7% on the same period last year due to the downsizing of assets under management, affected by both negative net deposits and a continuous deterioration of the market performance. This result is reflected in the income before tax from continuing operations (-35.6%) and net income (-32%).
Capital absorbed amounted to 92 million euro, up 8 million euro compared to the first three months of 2008. Annualised ROE reached 74.9%, in line with high values characteristic of this Business Unit, due to limited absorption of capital compared to the considerable volumes of assets managed by the company and placed by the geographically widespread banking networks of the Group. EVA®, which measures value creation, decreased from 40 million euro to 24 million euro.

Banca Fideuram

(in millions of euro)

Income statement/Alternative performance indicators	31.03.2009	31.03.2008	Changes amount	Changes %
Net interest income	43	37	6	16.2
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	98	121	-23	-19.0
Profits (Losses) on trading	12	-	12	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	3	-3	
Operating income	**153**	**161**	**-8**	**-5.0**
Personnel expenses	-30	-32	-2	-6.3
Other administrative expenses	-45	-48	-3	-6.3
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-79**	**-84**	**-5**	**-6.0**
Operating margin	**74**	**77**	**-3**	**-3.9**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-11	-7	4	57.1
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**63**	**70**	**-7**	**-10.0**
Taxes on income from continuing operations	-14	-14	-	-
Merger and restructuring related charges (net of tax)	-	-	-	-
Effect of purchase cost allocation (net of tax)	-21	-27	-6	-22.2
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**28**	**29**	**-1**	**-3.4**
Allocated capital	286	340	-54	-15.9
Profitability ratios (%)				
Cost / Income ratio	51.6	52.2	-0.6	-1.1
ROE	39.7	34.3	5.4	15.7
EVA® (in millions of euro)	41	44	-3	-6.8

(in millions of euro)

	31.03.2009	31.12.2008	Changes amount	Changes %
Assets under management	40,011	40,293	-282	-0.7

The initiatives taken by Banca Fideuram in the first quarter of 2009 were consistent with the objective of consolidating market leadership through the development of its key strengths. In particular, actions aimed to strengthen core business, to develop highly innovative products, to identify state-of-the-art multi-manager solutions and to provide investment services tailored to private customers.

As part of the Intesa Sanpaolo Group distribution channel reorganisation, Banca Fideuram approved the integration of the Banca CR Firenze private banker network into the subsidiary Sanpaolo Invest SIM.

As at the end of March 2009 assets under management totalled 59.9 billion euro, down 1% on the start of the year due to the slump in financial markets, compared to a positive 21 million euro in net deposits (199 million euro in the first three months of 2008). Net deposits in assets under administration were positive at 263 million euro, compared to 2 billion euro recorded in the first quarter of the previous year. Asset management, on the other hand, recorded a negative 242 million euro against the negative 2.1 billion euro for the first three months of 2008. This result, as seen in 2008, confirms customers' reallocation of assets under management in favour of deposits in securities and repurchase agreements in order to limit the negative effects of the current market situation. However, it is important to mention that in the quarter mutual fund deposits, which represent the first signs of recovery also for asset management products, increased compared to 2008 results.
The number of private bankers as at the end of March 2009 totalled 4,186, 23 less than at the start of the year.
The operating margin for the first quarter of 2009 was 74 million euro, down 3.9% on the same period in 2008. This result is largely attributable to the decrease in net fee and commission income, linked to the reduced average AUM volumes and, in part, to the repositioning of the product mix in favour of bond and cash products less profitable for the bank, which more than offset the growth in net interest income and profits on trading. In particular, the increase in the interest margin (+16.2%) is attributable to the stronger exposure of fixed-rate assets, which offered benefits from the cut in market rates, and to the higher profitability from the widening of spreads following the repricing of coupons on floating-rate securities included in the portfolio. Profits on trading, amounting to 12 million euro, benefited from the positive change in fair value of certain derivatives stipulated at the end of 2008. Income before tax from continuing operations, which totalled 63 million euro (-10% on the first quarter of last year), was penalised by the increase in provisions for risks and charges allocated to cover legal disputes, revocatory actions, customer complaints and risks relating to default swaps traded in previous years. Banca Fideuram closed the quarter with net income of 28 million euro, more or less in line with the figure for the first three months of 2008.
The capital absorbed by Banca Fideuram in the first three months of 2009 was 286 million euro, a decrease compared to the corresponding period of last year. This result led to an increase in annualised ROE to 39.7%. EVA®, which measures value creation, remained stable at 41 million.

Corporate Centre

The Corporate Centre is responsible not only for direction, coordination and control of the whole Group, but also for treasury.

The Corporate Centre closed the first quarter of 2009 with a negative operating income of 163 million euro, compared to 153 million euro revenues in the corresponding period of 2008. This performance was the result of lower net interest income, due to the higher cost of medium-/long-term funding and the effects of reduced interest rates on the imbalance between non-interest bearing liabilities and non-interest bearing assets, and from lower profits achieved by companies carried at equity, higher fee and commission expenses and increased losses on trading. Operating costs remained stable compared to the same period in 2008. Overall, income before tax from continuing operations recorded a 394 million euro loss (-10 million euro in the same period in 2008). Net income totalled 207 million euro, benefiting from the positive tax effects of the redemption of intangibles.

The Treasury Department includes services in euro and in foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the first quarter of 2009, Intesa Sanpaolo continued to play a key role on the domestic market in settlement systems, as a direct member and provider of settlement services to Group and third party banks. Treasury settlement activities in euro centralised in the Parent Company recorded on average approximately 26,000 daily transactions for an exchange value of about 48 billion euro between Target2 and EBA. Alongside the systems already in operation, the Treasury Department continued to play an active role in Italian and European working parties on development projects for new settlement systems. In particular, the department contributed to the project to extend SEPA (Single European Payment Area) settlement services, due to become operative in autumn 2009, whilst development continued regarding security transaction procedures (Target2 Securities) and collateral management (Correspondent Central Banking Model 2). The use of bank loans as part of the ABACO project is a consolidated part of Treasury Department operations, also responsible for existing eligible loan stock disbursed by other Group companies. The pool of eligible assets ensures that the Bank has a significant liquidity reserve, which at present is used as collateral for intraday advances.

With reference to the money market, during the first quarter the global trend in interest rate cuts by the monetary authorities continued, through measures to combat the forecast deterioration in the economy. The ECB, in a similar manner to other major economy central banks, continued to guarantee adequate liquidity, through ordinary and extraordinary auctions, stronger issues of liquidity compared to the physiological needs of the System, extending the regime for fixed-rate unlimited transactions on the free market until the end of 2009. Though there has been a marginal improvement in financial conditions, the tapering-off phase for money market exchanges has continued, especially on maturities greater than very short term, whilst growth in volumes has been seen in the collateralised market segments (both the repo market and the covered deposits market put into operation by the Bank of Italy at the beginning of February). The need to mitigate counterparty risk has therefore been a strong incentive to move operations to markets where the risk is minimal or zero. The liquidity spread between rates on interbank deposits and the corresponding rates on derivatives, after reaching their all-time peaks following the Lehman collapse in September last year, have gradually reduced to the average levels seen in the first half of 2008. Intesa Sanpaolo has constantly recorded sound liquid balances, sufficient to guarantee an excellent Group liquidity profile. During the quarter it was not necessary to participate in the Central Bank auctions, and the Bank was also able to play an active role on the new MIC (*Mercato Interbancario Collateralizzato – Collaterised Interbank Market*) by injecting liquidity into the System through short term loans to other parties operating on this Market. The issue programmes for short-term commercial papers and certificates of deposit continued to represent the main source of funding (mainly through Commercial Papers/Yankee CD in USD via the New York branch, and through ECP/CD via the Irish subsidiary). Deposit volumes also allowed for a renewal of transactions due to mature, concentrated on 1-3 month maturities also to construct an adequate form of financing of the liquid reserves held in bonds. During March, the fine-tuning of the new issue programme was completed, which will allow Intesa Sanpaolo to also operate on the French CD market from the beginning of the second quarter.

With regard to the trading portfolio, the first quarter of 2009 was characterised by an initial deterioration in financial market liquidity which had an impact on credit spreads of certain sovereign issuers in the eurozone, financials issuers and the covered bonds market in general. This deterioration in part improved towards the end of March, coinciding with the recovery in share prices. In this context, the management policy for liquidity portfolios held by the Head Office and the main international subsidiaries abroad moved towards eligible assets characterised by top ratings, high liquidity and low volatility. In particular, the issues of Financial Government Guaranteed Bonds, issued by governments mainly in the eurozone and with a maturity of no more than three years, BOT and CTZ issues with more attractive spreads closer to the Eonia curve were preferred. In the Financials segment, downsizing of the portfolio continued, only partly replacing matured positions with short-term issues by eurozone banks considered to be among the soundest. As mentioned earlier, these liquidity portfolios are funded mainly through the issue of short-term financial instruments but with maturity also extended beyond one month, and therefore constitute liquidity buffers for use in stress scenarios over and beyond the facilities made available by the Central Banks. In particular, on the domestic screen-based repo market, with underlying Government securities in euro, the Bank continued to play a highly significant role in guaranteeing its liquidity.

The "Operating ACM (active capital management) and Structured Operations" macro-area provides operational support to the strategies implemented by the "Active value management and strategies" area (CFO area), under the supervision of the Risk Management Department. It does so by pursuing the active management of credit, market and banking book risks on the financial markets. In particular, as concerns Asset & Liability Management, 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. In this respect, in line with action taken towards the end of 2008, further transactions were implemented in the first quarter of 2009 to strengthen the interest margin protection instruments, i.e. to reduce mark-down volatility on deposits from customers given a scenario of a strong reduction in official interest rates. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at Group level. Mismatch analysis on medium-long term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

The "funding" macro-area is responsible for medium-/long-term funding, through both domestic bond issues and recourse to international markets. In the first quarter of 2009, the Parent Company completed funding transactions on international markets for a total of approximately 1.3 billion euro, of which 632 million euro through the issue of international bonds (in the form of private financing), 625 million euro through the issue of 1-year certificates of deposit (both fixed and floating rate) and approximately 74 million euro through Group branches and subsidiaries. The strong liquidity position of the Group and the significant bond placement flows to retail customers led to limited activity on the international markets,which were in any event also affected by the overall weakness of the macroeconomic situation. In the first three months of the year the total issues of Group securities placed on the domestic market through its own and third-party networks was 14.1 billion euro, 800 million euro of which in subordinated fixed-rate Lower Tier 2 securities with an average 5-year maturity. Among placed securities a prevalence was registered for the component consisting of structured bonds (mainly interest-rate structured securities) with an incidence of 80.7%, whereas the weight of plain vanilla securities was 19.3%. A breakdown by average maturity shows a concentration of 2-year maturities with a weight of 57%, whilst 33.6% is represented by 6-year securities and 7.1% by 5-year securities. The remaining 2.3% relates to 3/4-year bonds.

With regard to structured finance, in the light of the persistent difficulties that characterised the capital market in 2008, the action programmed to stabilise significant portions of Group assets has continued, to be activated as needed to obtain liquidity from the Eurosystem. In this context, new securitisations and covered bonds (with more restricted "haircuts") are currently being structured on Group assets with a view to issuing the related securities by 30 June 2009.

Risk management

BASIC PRINCIPLES

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

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

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

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

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

In June 2004, the Basel Committee on Banking Supervision published the final version of the Capital Accord ("Basel 2"), adopted by the European Union at the end of 2005 through the Capital Adequacy Directive and in Italy by Law Decree no. 297 of 27 December 2006.

Very briefly, the Accord provides for new quantitative rules to establish the minimum capital requirement to hedge against credit, market and operational risks:

– for credit risks, the new rules introduce a greater degree of correlation between capital requirements and risks by acknowledging ratings and other credit risk measurement tools. The Accord sets out a Standardised approach together with two increasingly sophisticated approaches based on internal risk management (IRB) tools;
– for market risks, the legal regulations previously in force continue to apply;
– the new Accord introduces capital absorption for operational risks, which can also be measured using three increasingly analytical approaches (Basic Indicator, Standardised and Advanced Measurement - AMA).

For Pillar 2 purposes, capital adequacy must also be demonstrated for a wider range of risks including at least: banking book, liquidity, strategic, investment and insurance, securitisation-related, residual credit and reputation risks.

The regulations are designed to promote the adoption of more sophisticated methods, in both credit risks and operational risks, through a lower absorption of capital. However, in order to access these options, the banks must satisfy a set of minimum requirements for risk management and control methodologies, to be verified by the Supervisory authority.

The greatest advantages will come from the management and operating results obtained from the systematic application of the new methodologies that should make it possible to improve risk management and control capabilities as well as increase the efficiency and effectiveness of customer service.

In order to profit from these opportunities, in 2007 Intesa Sanpaolo launched the "Basel 2 Project", with the mission of preparing the Group for the adoption of advanced approaches, building on the pre-merger experience of Intesa and Sanpaolo IMI.

In 2008, the Intesa Sanpaolo Group began the approval process for adoption of the advanced approaches as part of the "Basel 2 Project".

With regard to credit risks, a "first scope" of companies that use approaches based on internal models was

identified. For this scope of companies, the Group obtained authorisation to use the IRB Foundation approach for the Corporate segment, starting from the report as at 31 December 2008. The rating models and credit processes for the SME Retail and Retail (Residential mortgages) segments were also implemented in 2008. With the release of the Loss Given Default (LGD) model, now being completed, in 2009 it will be possible to send a request for authorisation to use the AIRB approach.
Rating model development for other segments and extension of the business application scope is in progress, in line with a gradual programme for the adoption of advanced approaches submitted to the Supervisory Authority.
With regard to operational risks, work has reached the final implementation stage and will allow submission of the request for validation for the advanced approach in 2009.
Furthermore, in 2008 the Group presented its first ICAAP (Internal Capital Adequacy Assessment Process) Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available.

As part of the adoption of "Basel 2" by the Italian banking system, Bank of Italy Circular 263 of 27 December 2006 "New regulations for the prudential supervision of banks" sets out the procedures that must be adopted by banks and banking groups in public disclosures on capital adequacy, risk exposure and the general features of the risk identification, measurement and management systems (Basel 2 - Pillar 3).
To summarise, the new instructions envisage the drawing up of a separate report on banking group risk in addition to that already included in the financial statements. This disclosure, drawn up in accordance with the provisions of the aforementioned circular, which incorporates the provisions of Annex XII to EU Directive 2006/48, is published in accordance with the rules laid down by the Bank of Italy with the following frequency:
- figures as at 31 December: full qualitative and quantitative disclosure;
- figures as at 30 June: update of the quantitative disclosure (as Intesa Sanpaolo is among the groups that have adopted IRB and/or AMA approaches for credit and operational risk);
- figures as at 31 March/30 September: update of the information relating to capital and capital adequacy (as Intesa Sanpaolo is among the groups that have adopted IRB and/or AMA approaches for credit and operational risk).

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

CREDIT RISKS

The Intesa Sanpaolo Group has developed a set of techniques and tools for risk measurement and management which ensure analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
With particular reference to loans to customers, risk management uses different rating models on the basis of the borrower's segment (corporate, Italian public sector entities, Small Businesses, Mortgages, Personal Loans), and in terms of industry and size.
Credit strategies and policies address:
- coordination of action to achieve a sustainable objective, consistent with risk appetite and value creation;
- portfolio diversification, limiting the concentration of exposures on single borrowers/groups, single sectors or geographical areas;
- efficient selection of the single borrowers via an attentive creditworthiness analysis aimed at containing default risk, notwithstanding the objective of privileging commercial lending or loans to support new production capacity with respect to merely financial interventions;
- control of relationship characteristics, carried out with information technology procedures and systematic surveillance of the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures.

The quality of the loan portfolio is constantly monitored by specific operating checks for all the phases of loan management (analysis, granting, monitoring of non-performing loans).
The management of credit risk profiles of the loan portfolio is assured, starting from the analysis and granting phases, by:
- regulations on Credit policies;
- checks on the existence of the necessary conditions for creditworthiness, with particular focus on the customer's current and prospective capacity to produce satisfactory income and congruous cash flows;
- the assessment of the nature and size of proposed loans, considering the actual requirements of the

counterparty requesting the loan, the course of the relationship already in progress and the presence of any relationship between the client and other borrowers.

Credit quality

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting. In particular, such activities are performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They interact with processes and procedures for loan management and for credit risk control and allow timely assessments to be formulated when any anomalies arise or persist.
Positions to which the synthetic risk indicator attributes a persistent high-risk rating are intercepted and allocated to different categories (manually or automatically) based on the risk profile. Exposures to borrowers in default or in similar situations are classified as doubtful loans; exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time, are classified as substandard loans; positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or group of banks) agrees to modify the original contractual terms giving rise to a loss, are classified as restructured loans. Lastly, non-performing loans include loans past due which exceeded the warning threshold.

(in millions of euro)

	31.03.2009			31.12.2008			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	13,769	-9,534	4,235	13,047	-9,079	3,968	267
Substandard and restructured loans	8,517	-2,033	6,484	7,545	-1,855	5,690	794
Past due loans	1,904	-177	1,727	2,022	-156	1,866	-139
Non-performing loans	**24,190**	**-11,744**	**12,446**	**22,614**	**-11,090**	**11,524**	**922**
Performing loans	361,407	-2,443	358,964	370,611	-2,442	368,169	-9,205
Performing loans represented by securities	16,516	-440	16,076	15,863	-367	15,496	580
Loans to customers	**402,113**	**-14,627**	**387,486**	**409,088**	**-13,899**	**395,189**	**-7,703**

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

At the end of the first quarter of 2009, the Group recorded an 8% increase in non-performing loans compared to the 2008 year-end figure. This change reflects a slightly higher impact of non-performing loans on total loans to customers, from 2.9% to 3.2%. The hedging of non-performing loans through prudential provisioning policies extended to all commercial banks, stood at approximately 49%.
In particular, doubtful loans net of adjustments as at the end of the first quarter totalled 4,235 million euro, up 267 million euro on the 2008 year-end figure; the incidence on total loans to customers was approximately 1%, with approximately 69% coverage ratio.
Substandard and restructured loans amounting to 6,484 million euro increased by 14% on a quarterly basis, with an approximate 24% coverage ratio.
Past due loans, amounting to 1,727 million euro, decreased by 139 million euro and record a coverage ratio of approximately 9%.
Cumulated collective adjustments on performing loans totalled 0.7% of gross exposure to customers, in line with the figure recorded at the end of 2008.
Performing loans represented by securities increased by almost 4% due to the above-mentioned reclassifications for the quarter. The corresponding adjustments mainly relate to adjustments made before reclassification of the securities to the loans category.

MARKET RISKS

TRADING BOOK

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
– interest rates;
– equity and market indexes;
– investment funds;
– foreign exchange rates;

- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in issued bonds;
- correlation instruments;
- dividend derivatives;
- asset backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 9% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios were interest rates and foreign exchange rates, both relating to linear pay-offs.

For some of the abovementioned risk factors, the Supervisory authority validated the internal models for the regulatory measurement of capital absorption of both Intesa Sanpaolo (internal model extended during 2007 to the books of the former SANPAOLO IMI Finance Department) and Banca IMI (the internal model, previously validated for the former Banca Caboto component, was extended, in the first quarter of 2008, to the former Banca IMI portfolios).
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCITS solely with reference to the quotas in CPPI (Constant Proportion Portfolio Insurance) for Banca IMI, and (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo.
The analysis of market risk profiles relative to the trading book uses various quantitative indicators, VaR being the most important one. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds). VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation of illiquid parameters.

In the first quarter of 2009, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the last quarter of 2008. The average VaR for the period totalled 50.3 million euro.

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI[a]

(in millions of euro)

	2009			2008			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	32.3	28.7	35.6	42.1	31.5	37.9	29.4
Banca IMI	18.0	14.1	21.7	18.3	10.1	12.9	9.0
Group	**50.3**	**44.6**	**55.7**	**60.4**	**41.6**	**50.8**	**38.4**

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

For Intesa Sanpaolo the breakdown of risk profile in the first quarter of 2009 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 41% of total VaR; for Banca IMI credit spread risk was the most significant representing 34% of total VaR.

Contribution of risk factors to VaR[a]

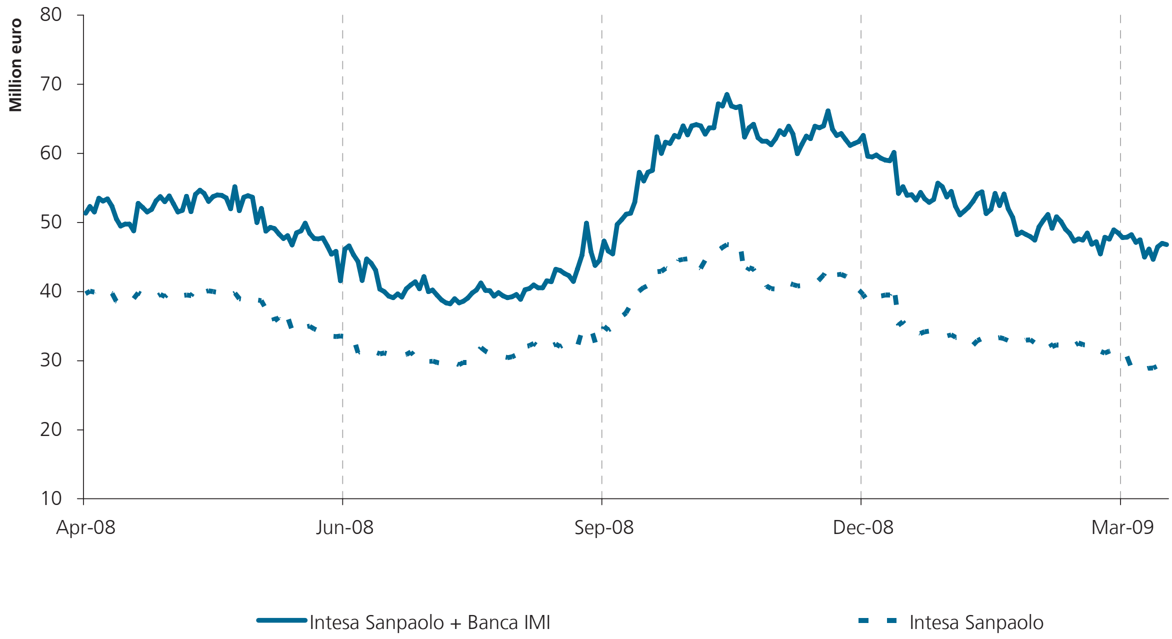
1st quarter 2009	Shares	Rates	Credit spread	Foreign Exchange	Hedge fund	Other parameters
Intesa Sanpaolo	6%	11%	20%	2%	41%	20%
Banca IMI	32%	22%	34%	4%	-	8%
Group	**17%**	**16%**	**26%**	**3%**	**23%**	**15%**

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

VaR in the last twelve months is set out below. The first quarter of 2009 recorded a drop in VaR, primarily from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact on historic volatility simulation scenarios. The market, in fact, has recorded an upward volatility trend since the start of the year, though without reaching the peaks recorded after the Lehman Brothers collapse. In fact, the volatility figures of the first quarter 2009 were lower than those recorded last October.

As indicated in the chapter on balance sheet aggregates, a reclassification to LR (Loans & Receivables) was performed in October 2008, as permitted by IAS, on certain highly illiquid securities (mainly ABS). The average VaR in the first quarter of 2009 for this portfolio, not included in the VaR limit monitoring and the above statistics, was approximately 9.6 million euro.

Daily evolution of market risks - VaR



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

In particular:
- on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 3 million euro gain; a bullish scenario, that is a 5% rise in stock prices with a simultaneous 10% decrease in volatility would have led to a 5 million euro loss;
- on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 19 million euro loss, whereas a parallel -25 basis point shift would have led to an 18 million euro gain;

- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 30 million euro loss, 10 million euro of which attributable to structured credit products;
- with regard to EUR/USD market exposures, the portfolio would have recorded a 5 million euro gain in the event of depreciation of the Euro (-10%) due to a long position on the dollar;
- lastly, on commodity exposures a 2 million euro loss would have been recorded had there been a 50% increase in prices.

(in millions of euro)

	Equity		Interest rates		Credit spreads		Foreign Exchange rates	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%
Group	3	-5	18	-19	31	-30	5	-2
of which SCP					*10*	*-10*		

INFORMATION ON FINANCIAL PRODUCTS

The negative phase of the financial markets and the difficulties faced by leading financial institutions led supranational and national Supervisory authorities to recommend the utmost transparency in the disclosure to shareholders and investors of credit and market risk exposure, in the various accepted forms, directly or through vehicles. As usual, an update is provided below on the information provided in the financial statements as at 31 December 2008.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Information in this chapter integrates the accounting principles adopted by the Intesa Sanpaolo Group, unchanged since the 2008 Annual Report, and clearly explains valuation concepts and parameters.
In the preparation of this information, a clear and simple approach is adopted, avoiding excessive technical jargon where possible.
For a definition of technical terms, especially those of English origin or of a mathematical nature, reference should be made to the glossary provided in the financial statements as at 31 December 2008.

General Principles

IAS/IFRS state that products in the trading portfolio must be measured at fair value through profit and loss. The existence of official prices in an active market[1] represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the registration of financial assets and liabilities in the trading portfolio.
If there is no active market, fair value is determined using valuation techniques aimed at ultimately establishing what the transaction price would have been on the measurement date, in an arm-length exchange, motivated by normal business considerations. Such techniques include:

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

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

Hierarchy of fair value

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

1. Effective market quotes

In this case the valuation is the price of the same financial instrument to be measured on the basis of prices quoted on an active market.
The percentage (determined in relation to fair value in case of derivatives) of instruments valued with this methodology on the total of instruments measured at fair value is set out below:

Financial assets:		
- cash	78.8%	66.8 billion euro
- derivatives	2.0%	0.9 billion euro
Financial liabilities:		
- cash	28.7%	1.6 billion euro
- derivatives	3.1%	1.5 billion euro

The value of financial instruments measured on the basis of market prices has increased since December 2008, resulting in an increase in the percentage weight of cash assets on total assets measured at fair value, offset by a reduction in the percentage weight of instruments measured at level 2.

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

2. *Valuation Techniques: Comparable Approach*

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

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

The calculation methodologies (pricing models) used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.

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

Financial assets:		
- cash	18.3%	15.5 billion euro
- derivatives	97.5%	45.2 billion euro
Financial liabilities:		
- cash	71.3%	3.9 billion euro
- derivatives	95.0%	44.7 billion euro

Apart from the above-mentioned reduction in the percentage impact of cash financial assets measured at level 2, there were no other significant percentage changes compared to those indicated in the financial statements as at 31 December 2008.

3. *Valuation techniques: Mark-to-Model Approach*

In this case valuations are based on various inputs, which are not presumed directly from parameters which may be observed on the market and therefore imply estimates and assumptions on the part of the valuator.

In particular, with this approach the valuation of the financial instrument uses a calculation method (pricing model) based on specific assumptions of:

– the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
– the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where these are not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

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

Financial assets:		
- cash	2.9%	2.5 billion euro
- derivatives	0.5%	0.2 billion euro
Financial liabilities:		
- cash	----	
- derivatives	1.8%	0.9 billion euro

The cash financial assets include investments in equities of 1.5 billion euro, classified as securities available for sale.

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

As in 2008, the strategies adopted for structured credit products in the first quarter of 2009 did not generate new transactions, but managed merely existing investments.

The approach already adopted with good results in 2008, based on the following guidelines, was therefore confirmed:

- gradual reduction of the portfolio via an orderly process of sales and unwinding, exploiting prepayments and amortisation of the structured products in portfolio. This process was made possible by the limited weight of the structured credit portfolio on total Group assets and from the strong incidence within the portfolio of unfunded positions;
- risk profile management achieved via "short" positions on derivative markets with reference to the indexes representative of the US real estate market (ABX and CMBX), to the US market of leveraged loans (LCDX) and to some selected single names whose performance is considered to be particularly affected by the dynamics of the structured credit market.

The persistence of the dull market situation, in the context of structured credit products, practically led to the disappearance of any trading opportunity or intention on such positions. The gradual reduction strategy outlined above was therefore accompanied by a supplementary tactical option of transforming unfunded positions into cash positions, with subsequent classification in the banking book (loans and receivables). This option, in addition to responding to the current hold-to-maturity approach, was facilitated by the unwinding of the cash crisis which, a little at a time, diminishes advantages in terms of funding linked to unfunded positions.

Highlights

Before illustrating the results as at 31 March 2009, it should be specified that the quality of the structured credit product portfolio remained steady also at the end of the first quarter of the year, as confirmed by the following indicators:

- 90% of exposure is Investment Grade;
- 58% of these exposures has a Super senior (22%) or AAA (36%) rating;
- 10% has a rating of BBB or lower;
- 71% of the exposure had a pre-2005 vintage[2];
- 31% had a 2005 vintage;
- only 10% of exposure referred to the US Residential segment, and 29% to the US non-residential segment;
- the remaining exposure (61% of the total) was almost entirely (50%) European.

Considering underlying contract types, approximately one third of the exposure is represented by ABS (15%) and RMBS (17%); the rest is almost entirely made up of CDOs (29%) and CLOs (35%); CMBS represent 4% of the total.

The structured credit products affected by the financial crisis are indicated by segregating the part classified under financial assets held for trading and available for sale from those classified as loans[3]. The income statement effects reported show the impact of both aggregates on Profits (Losses) on trading – Caption 80 (for the second aggregate the effects refer to 2008 only and concern the pre-reclassification period).

The information provided below refers to the entire Group; any effects and positions indicated, in any event marginal, are attributable to entities other than the Parent Company and are specifically mentioned in the notes.

In the summary tables below, table (a) illustrates risk exposure as at 31 March 2009 and income statement captions (the sum of realised charges and profits, write-downs and write-backs) for the first three months of the year, compared with the corresponding values recorded as at 31 December 2008.

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

The translation to euro of values expressed in USD as at 31 December 2008 occurred at an exchange rate of 1.3917 euro, and as at 31 March 2009 at an exchange rate of 1.3308 euro.

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

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

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(in millions of euro)

Financial assets held for trading	31.03.2009		31.12.2008	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**
US subprime exposure	**21**	**-1**	**23**	**-4**
Contagion area	**279**	**-36**	**207**	**-166**
- Multisector CDOs	199	-32	125	-103
- Alt-A	-	-	-	-
- TruPS	80	-4	82	-63
- Prime CMOs	-	-	-	-
Other structured credit products	**2,369**	**-44**	**3,056**	**-327**
- Funded European/US ABS/CDOs	387	4	430	-53
- Unfunded super senior CDOs	2,312	-39	3,043	-249
- Other	-330	-9	-417	-25
Total	**2,669**	**-81**	**3,286**	**-497**
in addition to:				
"Short" positions of funds	-	1	-	41
Total Financial assets held for trading	**2,669**	**-80**	**3,286**	**-456**

Loans	31.03.2009		31.12.2008	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**
US subprime exposure	**6**	**-**	**6**	**-**
Contagion area	**139**	**-**	**138**	**-5**
- Multisector CDOs	13	-	12	-
- Alt-A	78	-	78	-2
- TruPS	-	-	-	-
- Prime CMOs	48	-	48	-3
Other structured credit products	**2,462**	**-**	**1,973**	**-57**
- Funded European/US ABS/CDOs	1,580	-	1,729	-57
- Unfunded super senior CDOs	641	-	-	-
- Other	241	-	244	-
Total	**2,607**	**-**	**2,117**	**-62**
in addition to:				
"Short" positions of funds	-	-	-	-
Total Loans	**2,607**	**-**	**2,117**	**-62**
Total	**5,276**	**-80**	**5,403**	**-518**

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

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

b) Exposure in packages

(in millions of euro)

Detailed table	31.03.2009		31.12.2008	
	Credit exposure to protection seller (CDS fair value) post write-down	**Income Statement Profits (Losses) on trading**	**Credit exposure to protection seller** (CDS fair value) post write-down	**Income Statement Profits (Losses) on trading**
Monoline risk	5	3	-	-94
Non monoline packages	179	-2	154	-
Total	**184**	**1**	**154**	**-94**

Referring to the following summary for a more detailed illustration of the various product performances, it should be noted that in the first quarter of 2009 the structured credit products portfolio restructured unfunded positions, which with regard to "Other structured credit products", reduced the weight of these positions on funded positions, later classified under loans, less exposed to income statement volatility yet with no effect on the Intesa Sanpaolo risk profile. Furthermore, one position included in the first reporting boundary was moved from “Other structured credit products" to the “Contagion area”. This proved necessary due to the increased weight of the nominal value of the US RMBS component on total assets in the collateral portfolio, resulting from default on ABS CDOs included in this portfolio.
From an economic point of view, in the reporting period the incidence of losses, particularly attributable to US subprime exposures, remained unchanged compared to the end of 2008 in both absolute and relative terms, due to the consistent write-downs in this segment in 2007 and 2008.
More specifically, the negative result of the structured credit products in the period (-79 million euro) is mostly attributable to unfunded structured credit products (-83 million euro). In this segment, there were write-downs that mainly involved the US RMBS not classed as subprime (see point i., "Contagion area") and transactions classed as unfunded super senior CDO (see point ii., "Other structured credit products"). The less significant contribution from European and US ABS (+3 million euro) and package exposure (+1 million euro) complete the summary description of the income statement figures in the Structured Credit Product segment as at 31 March 2009.
As at 31 March 2009, this aggregate included bonds classified as loans for a total nominal value of 2,875 million euro and risk exposure of 2,607 million euro. Of this amount, 309 million euro referred to securities reclassified from available for sale to the loans portfolio. As at 31 March 2009 their fair value was 267 million euro. The positive impact of this transaction on the Valuation reserve under Shareholders’ Equity was 42 million euro. The remaining 2,298 million was reclassified from the trading book to the loans portfolio. The fair value of this aggregate as at 31 March 2009 was 1,916 million euro, with a positive effect on the income statement of 382 million euro, 299 million euro of which referring to 31 December 2008. Had the loans portfolio not been reclassified, the negative result for structured products would have increased to 162 million euro in the first quarter of 2009.

US subprime exposure

As at 31 March 2009 the qualitative breakdown of US Subprime exposure remained unchanged compared to the figures indicated in the financial statements as at 31 December 2008. Specifically, the overall long position for US Subprimes dropped to 27 million euro compared to 29 million euro as at 31 December 2008.
In detail, the aggregate included ABS, funded CDOs and unfunded super senior CDOs for a nominal value of 254 million euro (246 million euro as at 31 December 2008), with a corresponding risk exposure of 21 million euro (22 million euro as at 31 December 2008). The related impact on the income statement for the first quarter was negative by 1 million euro (-30 million euro as at 31 December 2008).
Given a residual long position in dynamic hedges, the net position as at 31 March 2009 totalled 265 million euro in terms of nominal value (260 million euro as at 31 December 2008), and 21 million euro in terms of risk exposure (23 million euro as at 31 December 2008), whereas the overall impact on the income statement for the first three quarters proved negative by 1 million euro (-4 million euro as at 31 December 2008). This aggregate includes one CDO which, classified to the Romulus vehicle loans portfolio at the end of 2008, was transferred to the Parent Company loans portfolio for a nominal value of 9 million euro, equal to a 6 million euro risk exposure. As at 31 March 2009 this security had a fair value of 4 million euro; the amortised cost measurement resulted in a positive effect of 2 million euro on the Valuation reserve under Shareholders’ Equity.

"Contagion" area

The qualitative breakdown of this portfolio recorded no significant changes in the first quarter of 2009. In quantitative terms, as mentioned above, one position already included in the segment was moved to this area. The segment results subject to "contagion effect", i.e. affected by the subprime mortgage crisis, can be summarised as follows:

i. ***Multisector CDOs***: Taking into account write-downs, write-backs, CMBX index hedges and a number of single-name credit default swap positions on related names implemented in 2008[4], the net risk exposure was 212 million euro (137 million as at 31 December 2008) and also include 13 million euro in securities, partly in the Romulus vehicle portfolio and partly in the Parent Company portfolio, classified as loans. As at 31 March 2009, these securities had a fair value of 9 million euro. Their measurement at amortised cost led to a positive 4 million euro impact on the Valuation reserve under Shareholders' Equity. The increase in risk exposure is due to the above-mentioned transfer of one unfunded position included in the "Other structured credit products" in previous periods. The overall impact of these positions on the income statement totalled -32 million euro (-103 million euro as at 31 December 2008). Considering, for the sake of completeness, Group investment in funds taking "short" positions on the US credit market, and with an impact on the income statement of 1 million euro (41 million euro as at 31 December 2008), the overall result for the segment is -31 million euro (-62 million euro as at 31 December 2008).

ii. ***Alt-A - Alternative A Loans***: this segment comprises bonds classified as loans and one position classified as available for sale, pertaining to the Parent Company. The overall nominal value of these securities was 95 million euro (of which 86 million euro in the loans portfolio and 9 million euro in the available for sale portfolio), and exposure to risk totalled 78 million euro (classified in full in the loans portfolio). The corresponding values as at 31 December 2008 were 96 million euro and 78 million euro respectively. The economic result for the segment as at 31 March 2009 was zero (-2 million as at 31 December 2008). At the same date, securities in this category had a fair value total of 58 million euro. The classification of securities in the loans segment therefore led to a positive effect on the income statement of 20 million euro, 16 million euro of which as at 31 December 2008 and 4 million euro referring to the first quarter of 2009.

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** the financial instruments included in this aggregate, which as at 31 March 2009 had a nominal value of 243 million euro (235 million euro as at 31 December 2008), were mainly unfunded. The risk exposure, taking into account write-downs and write-backs, was 80 million euro (82 million euro as at 31 December 2008), and the economic result attributable to these positions was -4 million euro (-63 as at 31 December 2008).

iv. ***Prime CMOs***: these form part of the bonds aggregate with a nominal value of 52 million euro (53 million euro as at 31 December 2008), classified as loans. The risk exposure linked to these securities was 48 million euro, unchanged since 31 December 2008, and with a zero impact on the income statement (-3 million euro as at 31 December 2008) due to the effect of their classification in the loans segment. As at 31 March 2009, securities in this category had a fair value total of 35 million euro. The resulting positive effect on the income statement was 13 million euro, entirely attributable to 31 December 2008.

Other structured credit products

Starting from the end of 2008, the structured credit products segment, including underlying instruments not originating in the USA, were subject to the strongest write-downs due to expansion of the crisis. To reduce income statement volatility in connection with this segment, from the first quarter of 2009 Intesa Sanpaolo adopted a restructuring policy for unfunded positions included in the aggregate and their replacement with funded positions. These transactions resulted in no change in Intesa Sanpaolo's exposure to risk. The funded nature of the new risk positions, also given the "rare circumstances" linked to the illiquidity of positions as required by IAS, allowed their reclassification to the loans portfolio, at the fair value of the security as at the time of category transfer.
The various types of product attributable to this last segment, which in the first three months of the year had a negative 44 million euro impact on the income statement, are illustrated below.

[4] But not in "short" positions of Funds.

i *Funded ABS/CDOs*

- Funded European ABS/CDOs classified to the trading book.
  As at 31 March 2009 the portfolio had a total nominal value of 432 million euro[5] (477 million euro as at 31 December 2008), with risk exposure of 384 million euro[6] (424 million euro as at 31 December 2008), the qualitative breakdown of which recorded no significant changes in the first quarter. As at the end of the period, the related impact on the income statement was a positive 7 million euro[7], entirely representing realised income. This figure compares with the -35 million euro as at 31 December 2008.
- Funded European ABS/CDOs classified to the loans portfolio.
  The nominal value of the portfolio as at 31 March 2009 was 1,658 million euro[8] (1,840 million euro as at 31 December 2008) with risk exposure of 1,545 million euro[9] (1,686 million euro as at 31 December 2008). As at 31 March 2009, the securities in this portfolio had a fair value of 1,198 million euro. The positive effect of classification in the loans portfolio was 347 million euro as at the end of the quarter, of which 340 million euro to the income statement (266 million euro as at 31 December 2008 and 74 million for the first quarter of 2009) and 7 million euro to the Valuation reserve under Shareholders' Equity.
  The overall impact of this aggregate on the income statement was zero as at 31 March 2009, compared to the -57 million write-down recorded at the end of 2008.
- Funded US ABS/CDOs classified to the trading book.
  In this segment also, the qualitative breakdown of the portfolio recorded no significant changes in the first quarter. These are securities with US underlying assets for a total nominal value of 19 million euro (18 million euro as at 31 December 2008). At the same date the risk exposure totalled 3 million euro (6 million euro as at 31 December 2008). The impact on the income statement was -3 million euro (-18 million euro as at 31 December 2008).
- Funded US ABS/CDOs classified to the loans portfolio.
  This aggregate includes securities with a total nominal value of 40 million euro (48 million euro as at 31 December 2008), with risk exposure of 35 million euro (43 million euro as at 31 December 2008). The impact of these securities on the income statement was zero at both 31 March 2009 and 31 December 2008. At the end of the first quarter of 2009 the fair value of these securities was 26 million euro. The positive impact of their reclassification to the loans portfolio on the income statement was 9 million euro, 4 million euro of which referring to 31 December 2008 and the remaining 5 million euro to the first quarter of 2009.
- Funded super senior corporate risk CDOs
  These are funded positions classified to the loans portfolio that derive from the restructuring of unfunded positions as at 31 December 2008. The total nominal value of the securities as at 31 March 2009 was 736 million euro, with a risk exposure of 641 million euro. The impact of these positions on the income statement was zero as at the end of the first quarter. The fair value of the securities at the same date was 641 million euro with a zero impact from their reclassification to the loans portfolio.

ii *Unfunded super senior CDOs*

- Unfunded super senior multisector CDOs.
  The super senior positions in this category had a nominal value of 639 million euro as at 31 March 2009 (790 million euro as at 31 December 2008), with a widely diversified High Grade collateral or characterised by high credit quality RMBS. In terms of risk exposure, unfunded CDOs included in this aggregate totalled 581 million euro as at the end of the first quarter (707 million euro as at 31 December 2008). The decrease in exposure is due to the transfer of one position to the "Contagion area". During the first three months of the year, the relative impact on the income statement was -32 million euro (all from valuations), against the -65 million euro of 31 December 2008.

[5] Of which 354 million euro pertaining to Banca IMI and 1 million euro pertaining to Carifirenze (classified under assets available for sale).

[6] Of which 313 million euro attributable to Banca IMI.

[7] Of which 6 million euro attributable to Banca IMI.

[8] Of which 242 million euro pertaining to Banca IMI (with a 15 million euro benefit to the income statement from reclassification, including 11 million euro for 2008 and 4 million euro for the first quarter of 2009); 8 million euro pertaining to Carifirenze (with a 4 million euro benefit from reclassification in the quarter to the Valuation reserve under Shareholders' Equity) and 45 million euro pertaining to Banca Fideuram (with a 3 million euro benefit from reclassification in the quarter to the Valuation reserve under Shareholders' Equity).

[9] Of which 231 million euro pertaining to Banca IMI, 7 million euro to Carifirenze and 42 million euro to Banca Fideuram.

- Unfunded super senior Corporate Risk CDOs.
  The nominal value of super senior positions in this residual category totalled 1,924 million euro as at 31 March 2009 (2,596 million euro as at 31 December 2008), with risk exposure of 1,731 million euro (2,336 million euro as at 31 December 2008). During the first three months of the year, the relative impact on the income statement was -7 million euro (all from valuations), against the -184 million euro of 31 December 2008.

iii. *Other: residual aggregate including:*
- Other unfunded short positions.
  These are the net short positions as at 31 March 2009 with a nominal value of 300 million euro (396 million euro as at 31 December 2008) and risk exposure of 330 million euro (417 million euro as at 31 December 2008). In the first three months of the year, the relative impact on the income statement was -9 million euro (-1 million euro from net realised charges, -8 million euro from valuations), against the -25 million euro at year-end 2008.
- Funded ABS/CDOs ascribable to the Romulus vehicle.
  These securities were classified as loans as at 31 March 2009. Their nominal value totalled 278 million euro (282 million euro as at 31 December 2008), with risk exposure of 241 million euro (244 million euro as at 31 December 2008). The pre-reclassification figure for capital losses recorded to the Valuation reserve under Shareholders' Equity was 38 million euro, recognised in full in previous years. As at 31 March 2009, the fair value of these securities was 212 million euro. Their classification to the loans portfolio led to a positive effect in the quarter on the Valuation reserve under Shareholders' Equity of 29 million euro.

Monoline risk

Intesa Sanpaolo presents no direct exposure to monoline insurers (insurance companies specialised in hedging the default risk of bonds issued by both public entities and the corporate sector), but only indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions.

As at 31 March 2009, credit risk exposure on these protection purchases from monoline insurers amounted to 91 million euro, against the 84 million euro recorded as at 31 December 2008. The amount was written down by 86 million euro compared to the total write-down performed at year-end 2008. The decrease in provisions in the first quarter of 2009 is due to the restructuring of one monoline position included in the aggregate. The positive impact on the income statement was 2 million euro (-74 million euro as at 31 December 2008). Net credit exposure to the protection seller was therefore 5 million euro as at the end of the quarter, compared to zero exposure recorded as at 31 December 2008.

Intesa Sanpaolo's activities in fully hedged derivatives are made up of the simultaneous purchase and sale of protection on the same reference entity (underlying asset) with two different counterparties. Action was taken during the third quarter to reduce the overall exposure to the monoline counterparty for these transactions.

As at 31 March 2009, credit risk exposure on these protection purchases from monoline insurers remained 27 million euro, the same as at 31 December 2008. The position was fully written down in a similar manner to the write-down of 31 December 2008. The overall impact on the income statement was +1 million euro as at 31 March 2009 (-20 million euro as at 31 December 2008). Net credit risk exposure to the protection seller was therefore zero, as it was at 31 December 2008.

In conclusion, as at 31 March 2009, credit risk exposure with monoline insurers due to counterparty risk amounted to 118 million euro, compared to 111 million euro as at 31 December 2008; this exposure was provisioned by 113 million euro for the downgrade in the counterparty rating, compared with the 111 million euro of 31 December 2008, with a positive impact on the income statement as at the end of March of 3 million euro. Net of write-downs due to the counterparty credit rating, exposure to the protection seller for the transactions included in the aggregate totalled 5 million euro, compared to zero as at 31 December 2008.

Non-monoline packages

This category includes packages with specific asset hedges stipulated with international banking institutions. As at 31 March 2009 the positions in question totalled 554 million euro in nominal value terms, with risk exposure of 367 million euro (558 million euro and 398 million euro, respectively, as at 31 December 2008). The decrease in hedged assets fair value generated an increase in credit risk exposure to the credit derivative counterparties, from 160 million as at 31 December 2008 to 187 million euro as at

31 March 2009. This exposure was written down by 8 million euro as at the end of the quarter. The negative impact on the income statement was 2 million euro, compared to the zero effect recorded as at 31 December 2008.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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

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

The sponsor of the transaction is normally an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising finance, securitising its assets, offering customers a financial service.
There are no changes in the scope of consolidation with respect to those adopted in the previous year.

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

Funding SPEs

Entities established abroad to raise finance on particular markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and reverse funding to the Parent Company.
These SPEs, which are controlled by Intesa Sanpaolo and are part of the Group's scope of consolidation as per IAS 27, are: Intesa Funding LLC, San Paolo IMI US Financial CO., IntesaBCI Preferred Capital Company LLC III and SanPaolo IMI Capital Company LLC 1. All these SPEs have registered offices in the US.
There has been no change to the figure recorded in the financial statements as at 31 December 2008.

The total SPE assets are almost fully represented by loans to the Parent Company Intesa Sanpaolo and remain unchanged since December 2008. The total securities issued – 100% guaranteed by the Parent Company – is also similar to the December 2008 figure.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index - linked products of Eurizon Vita and Eurizon Life who retain the majority of the risks and rewards; SPEs for insurance products are consolidated pursuant to IAS 27 / SIC 12.
There has been no change in the number of consolidated companies or in their total assets from that recorded in the 2008 Annual Report.

Securitisation SPEs

These are SPEs which permit an entity to raise funds for the securitisation of part of its assets. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market or through a private placement. Funding raised in this way is reversed to the seller while commitments to underwriters are met by using the cash flows generated by the loans sold.
SPEs of this type, which are part of the scope of consolidation as at 31 March 2009 pursuant to IAS 27 or SIC 12, are: Intesa Sec S.p.A., Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Intesa Sec NPL S.p.A., Intesa Lease Sec S.r.l., Split 2 S.r.l. and Adriano finance S.r.l. – Series 1 and 2 – and Adriano Finance 2 S.r.l.
These companies, incorporated under Italian law, have been used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies.
Augusto, Colombo and Diocleziano are securitisation vehicles of assets (residential mortgages), mostly to finance long-term mortgages and public works, of companies subject to joint control and later sold.
The securities held have been measured at fair value, as in previous years, except for securities issued by the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l., instead classified to the loans portfolio and valued at amortised cost.
For the securitisations prior to 1 January 2004 (Intesa Sec, Intesa Sec 2, Intesa Sec Npl and Intesa Lease Sec.), the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time

adoption by IFRS 1 and, thus, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations, have not been recorded in the financial statements. For transactions stipulated after that date, the provisions of IAS 39 on derecognition of financial assets and liabilities are applied.
The securitised assets of this type of vehicle are represented as follows: performing mortgages - Intesa Sec S.p.A.; performing residential mortgages - Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l.; non-performing mortgages – Intesa Sec NPL S.p.A., performing loans and cash commitments – Intesa Lease Sec S.r.l. and Split 2 S.r.l. Total assets of Augusto, Colombo and Diocleziano are instead almost entirely made up of long-term mortgages.
Note that:
– ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l. and ISP Sec 4 S.r.l. were no longer operative as at 31 March 2009;
– the securitisation of Adriano Finance 3 S.r.l. is being defined.
To complete the information, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages) pertaining to the Carifirenze Group, should also be mentioned.
The total assets of this type of vehicle, the total securities issued and total securities repurchased by the Intesa Sanpaolo Group have shown no significant changes from the figures recorded as at 31 December 2008.

Furthermore, pursuant to the above-mentioned SIC 12, Intesa Sanpaolo controls:
– Romulus Funding Corporation, a company based in the USA that purchases financial assets, represented by loans or securities with predefined eligibility criteria originating from Bank customers, and finances purchases by issuing Asset-Backed Commercial Papers;
– Duomo Funding PLC, an entity which performs an activity similar to that of Romulus Funding Plc. but is limited to the European market and is financed through funding contracts with Romulus.
During the first quarter, two securities classified to the loans portfolio of the vehicle were transferred to the Parent Company with no impact on the consolidated income statement.
As at 31 March 2009, Romulus total assets amounted to 1.7 billion euro (1.6 billion euro as at 31 December 2008). The commercial papers issued by the company totalling 1.6 billion euro (1.7 billion euro as at 31 December 2008) were fully placed on the market. As at 31 December 2008, 0.9 billion euro in securities was repurchased by the Parent Company. Total Duomo assets amounted to approximately 1 billion euro (essentially in line with the December 2008 figure).
Intesa Sanpaolo holds no interest in SPQR II S.r.l. (CBO 1) and SPQR II S.r.l. (CBO II), but the companies were consolidated as the Group retains the majority of costs and benefits (SIC 12).
The vehicle assets almost entirely comprise a portfolio of bonds issued by Italian public entities, sold to the vehicle by Banca OPI (now Banca Infrastrutture Innovazione e Sviluppo - BIIS). The vehicle, in turn issued senior and junior securities; both security types were repurchased by BIIS, which allocated the senior classes as collateral to its funding with the European Central Bank, via transactions closed through the Parent Company Intesa Sanpaolo.
The overall total of SPQR II S.r.l. assets and securities issued remain unchanged from that recorded at 31 December 2008.

Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicles “Da Vinci" (to hedge and manage risk exposure in the aircraft and aeronautic sector) and “Vespucci” (on the asset-backed securities portfolio and collateralised debt obligation to manage the trading of structured credit products).

Financial Engineering SPEs

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

The assets of the vehicle are almost entirely made up of term deposits with the Parent Company Intesa Sanpaolo and remain unchanged since December 2008.

Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed, Leveraged & Acquisition Finance and Credit Derivatives) reference should be made to the Financial statements as at 31 December 2008.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.

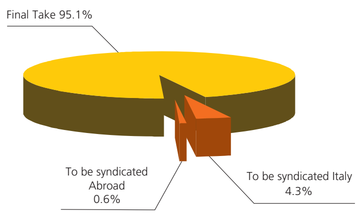
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.

None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.

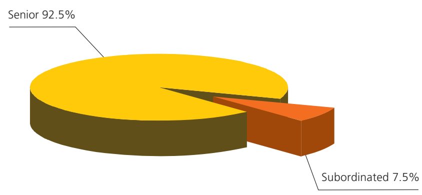
As at 31 March 2009, around 100 transactions, for a total amount granted of 4,783 million euro, met the above definition.

Such exposures are mostly classified in the loan portfolio. These also include the portions of syndicated loans underwritten or under syndication destined from the outset to be sold. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

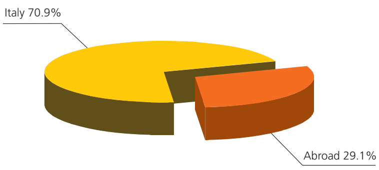
Breakdown by type of risk



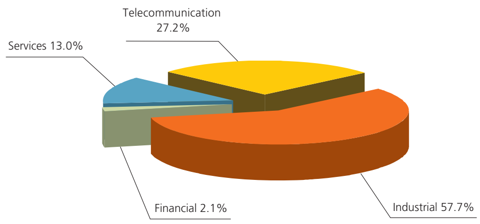
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Hedge Funds portfolio as at 31 March 2009 totalled 813 million euro, compared to the 852 million euro recorded at year-end 2008.

At the same date, the contribution to Profits (Losses) on trading of these investments was positive by 19 million euro (including 1 million euro in the structured credit products disclosure since the amount refers to funds with short positions on the US credit market). Of these net profits:

– 6 million euro are net profits realised in the quarter from fund trading;
– 11 million euro from net valuation of positions remaining at the end of the quarter;
– 2 million euro from other net income.

Taking into account the net capital gains on the final residual amount (11 million euro), these are spread across 47 positions, 17 of which recording capital losses (-26 million euro) and 28 capital gains (37 million euro), plus 2 positions measured at cost given the existence of a hard lock-up[10], included in the portfolio in 2009.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

As at 31 March 2009, in relation to derivative trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), the Intesa Sanpaolo Group recorded a positive fair value, gross of netting arrangements, of 3,530 million euro (2,524 million euro as at 31 December 2008). The notional value of such derivatives totalled 49,556 million euro (47,076 million euro as at 31 December 2008).

Conversely, negative fair value determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 499 million euro at 31 March 2009 (443 million at 31 December 2008). The notional value of such derivatives totalled 9,331 million euro (11,759 million euro as at 31 December 2008).

[10] Hard lock-up: a strong constraint to liquidity, in other words during the hard lock-up period it is not possible to exit from the fund. Funds with similar restrictions are prudentially measured at the lower between the purchase cost and the operating NAV.

BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the main subsidiaries that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated mostly held by the Parent Company and by Equiter, IMI Investimenti, Intesa Sanpaolo Holding International 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 "unexpected" potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer sight loans and deposits.

Furthermore, sensitivity of the interest margin is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) at reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first one refers to the fair value hedge of assets and liabilities specifically identified (micro-hedging), mainly bonds issued or acquired by the bank and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Bank is exposed to this risk in the period from the date on which the rate is set and the interest payment date.

Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, cash flow hedges are applied to specific assets or liabilities.

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

In the first three months of 2009, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, recorded an average value of 389 million euro, and 476 million euro at the end of March, almost entirely concentrated on the euro and in line with the 2008 year-end figure of 484 million euro.

Sensitivity of the interest margin – in the event of a 100 basis point rise in interest rates – amounted to +141 million euro (–129 million euro in the event of reduction) at the end of March; these values compare with the 2008 year-end figures of +102 million euro and -92 million euro, respectively, in the event of an increase/decrease in interest rates.

Interest rate risk, measured in terms of VaR, averaged 137 million euro in the first quarter of 2009 (177 million euro at the end of 2008) and reached a value of 169 million euro at the end of March, which also was the peak value for the period (the minimum value was 86 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 levewl, measured in terms of VaR, of 105 million euro (120 million euro at the end of 2008) in the first three months of 2009, with minimum and maximum values of 87 million euro and 116 million euro. The maximum value was also the final figure at the end of March 2009.

OPERATIONAL RISK

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

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

Intesa Sanpaolo's Internal Model is designed to combine the main quantitative (internal and external historical loss data) and qualitative information sources (self-assessment: scenario analysis and evaluation of the business environment). The quantitative component is based on the assessment of historical data on internal and external events (including participation in consortium initiatives such as "Database Italiano Perdite Operative" – Italian Operational Loss Database – managed by the Italian Banking Association and Operational Riskdata eXchange Association).
The qualitative component focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates with the aim of assessing relevant scenarios identified starting from the proprietary risk classification system based on the types of events provided for by the New Capital Accord.
Capital at Risk is therefore identified as the minimum amount at Group level, net of insurance cover, required to bear the maximum potential loss (worst loss); Capital at Risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operational losses), applied on quantitative and qualitative figures with a 1-year holding period, and on a 99.96% confidence level (99.90% for the regulatory figure).
The Intesa Sanpaolo Group has activated a traditional operational risk transfer policy (insurance) with the objective of mitigating the effect of any unexpected losses, and thus contributing to the reduction of Capital at Risk.
At the end of March the capital absorption for operational risks was determined with the Traditional Standardised Approach, with an approximate 2.3 billion euro incidence at Group level.

Legal risks

With regard to legal risks, there were no significant changes in the first quarter of 2009 compared to the Intesa Sanpaolo Group Annual Report 2008, to which reference should be made.

INSURANCE RISKS

Life branch

The typical risks of a life insurance portfolio can be divided into three main categories: premium risk, life underwriting risk and reserve risk.
Premium risks are protected 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 protected 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.

Casualty branch

The risks of the casualty insurance portfolio are essentially premium risk and reserve risk.
Premium risks are protected 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).
Reserve risk is guarded against through the exact calculation of technical reserves.

ALM and financial risks

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

Investment portfolios

The investments of the companies of the Intesa Sanpaolo Group operating in the insurance segment are made with their free capital and to cover the contractual obligations with customers. These essentially refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and casualty insurance policies.
At 31 March 2009 the investment portfolios of Group companies, recorded at book value, amounted to 42,378 million euro; of these, the share regarding traditional revaluable life policies, casualty policies and free capital (Class C portfolio or portfolio at risk) amounted to 16,091 million euro, while the other component (Class D portfolio or portfolio with total risk retained by the insured) mostly comprised investments related to pension funds, index- and unit-linked policies and totalled 26,287 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "at-risk portfolio".
In terms of breakdown by asset class, net of derivative positions, 94.3% of assets, i.e. approximately 15,337 million euro, were bonds, while assets subject to equity risk represented 4.5% of the total and amounted to 733 million euro. The remainder comprised investments in UCITS, Private Equity and Hedge Funds (194 million euro).

The fair value of derivatives totalled -173 million euro, of which -174.3 million in hedging derivatives and +1.3 million in other derivatives.
At the end of the first quarter of 2009, investments of EurizonVita and SudPoloVita free capital amounted to 1,046 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to 15.5 million euro.
The Modified duration of the bond portfolio, calculated by means of the sensitivity to uniform and parallel variations of the interest rate curve of ±25 basis points, is 4.3 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of 3.9 years. The related portfolios of assets have a modified duration of around 3.2 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 bp parallel shift in the yield curve leads to an approximate 618 million euro decrease. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 130 million euro rise which partly offsets the corresponding loss on the bonds.
The investment portfolio had a high credit rating. AAA/AA bonds represented approximately 78.4% of total investments and A bonds approximately 13%. Low investment grade securities (BBB) accounted for approximately 2.5% of the total and the portion of speculative grade or unrated securities was minimum (approximately 0.4%).
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks represented approximately 76.8% of the total investments, while financial companies (mostly banks) contributed almost 12.5% of exposure and industrial securities made up approximately 5%.
At the end of the first quarter of 2009, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was -721 million euro.

Accounting policies

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 31 March 2009" has been prepared, in consolidated form, in compliance with art. 154-*ter* of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission in EC Regulation 1606 of 19 July 2002.

Specifically, during the quarter the following Regulations were approved: 53/2009 (Amendments to IAS 32 - Financial Instruments: Presentation and to IAS 1 – Presentation of Financial Statements), 69/2009 (Amendments to IFRS 1 – First-time Adoption of IFRS and to IAS 27 – Consolidated and Separate Financial Statements), 70/2009 (Improvements to International Financial Reporting Standards) and – albeit not relevant to banking activities – regulation 254/2009 as enactment of IFRIC 12 (Service Concession Arrangements). These Regulations, which came into force on 1 January 2009 and introduce minor regulatory changes, had no impact on the Interim Statement as at 31 March 2009.

It should also be mentioned that the application of IFRS 8 – Operating Segments, which replaces IAS 14, the revised IAS 23 – Borrowing Costs, IAS 1 – Presentation of Financial Statements and certain amendments to IFRS 2 – Share-based payments, is compulsory in financial statements as of the year commencing 1 January 2009. In particular, Regulations in approval of IFRS 8 and IAS 1 could affect disclosures as from the Half-yearly Report as at 30 June 2009.

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

The Consolidated Interim Statement was not subject to auditor review.

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

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

- net interest includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future flows; the time value of employee termination indemnities and provisions for risks and charges;
- profits (losses) on trading records: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting, given the strict connection that has arisen in the current market context; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
- the contribution from insurance companies is traditionally recorded in the specific caption "Income from insurance business" rather than line by line;
- administrative expenses are expressed net of recoveries from customers;
- net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
- net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets;
- profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on

disposal of investments; conversely net income from investments carried at equity is recorded in a specific caption of net operating income along with dividends;
- merger and restructuring-related charges are recorded in a specific caption net of the tax effect;
- the economic effect of purchase cost allocation, net of the tax effect, is indicated in a specific caption.

For the Balance sheet, in compliance with Circular 262/2005, aggregation has been performed in certain circumstances, i.e.:
- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of hedging derivatives and fair value change of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- property and equipment and intangible assets were grouped in a single caption;
- the aggregation of amounts due to customers and securities issued into a single caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

With regard to non-current assets held for sale and discontinued operations, in the Income statement for March 2009 net capital gains from disposals completed during the quarter have been reclassified to a specific caption. This relates to the disposal of branches as ordered by the Antitrust Authority at the time of acquisition of Carifirenze and disposal of the investment in Cassa di Risparmio di Orvieto, also disposed of for the same reasons by Cassa di Risparmio di Firenze to Banca Popolare di Bari.

The only item under non-current assets held for sale and discontinued operations in the Balance sheet as at 31 March 2009 is the investment in SI Holding, due for disposal in 2009.

As usual, to facilitate comparison, the Balance sheet and Income statement figures as at 31 December 2008 and 31 March 2008, together with figures on quarterly performance of both the Income statement and Balance sheet, have been restated to take into account the above changes in the scope of consolidation, the previously mentioned Income statement and Balance sheet entries regarding discontinued operations and, lastly, the final effects of purchase cost allocation.

Scope of consolidation and consolidation methods

Scope of consolidation

The consolidated Interim statement includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by 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 with respect to the position as at 31 December 2008. To complete the information, it should be mentioned that CIB Property Ltd (CIB Group) and Delta Diversified (a mutual fund controlled by Eurizon Capital SGR) have been included in the scope of consolidation. The more significant exclusions are the result of disposal of Cassa di Risparmio di Orvieto and Invest Holding (PBZ Group).

Though having no effect at consolidated level, the setup of Intesa Sanpaolo Group Services S.c.p.A. to handle all operations regarding the organisation, security, property, procurement, operating services, IT systems and Contact Unit services should also be noted. The Parent Company contribution of the related business and property assets was completed in April.

It is also important to mention that a number of extraordinary intragroup transactions were completed in the first quarter, though with no effect on the consolidated accounts. These transactions involved the transfer of businesses among Intesa Sanpaolo Group companies under common control which, merely for reorganisation purposes, were simply transferred line by line in the individual statements of the companies involved, without recognition of any economic effect.

The transactions involved were:
- contribution and transfer of Intesa Sanpaolo branches to Banca di Credito Sardo (formerly Banca CIS);
- contribution of branches from Intesa Sanpaolo to Intesa Sanpaolo Private Banking;
- spin-off of branches from Cassa di Risparmio del Friuli Venezia Giulia and Banco di Napoli to Intesa Sanpaolo Private Banking;
- contribution of branches from Intesa Sanpaolo to Cassa di Risparmio in Bologna;
- transfer of branches from Intesa Sanpaolo to Cassa dei Risparmi di Forlì e della Romagna.

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

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group 2008 Annual Report to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Interim report as at 31 March 2009 refer to the same date. In certain cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and without prejudice to absolutely marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

Other information: Non-EU subsidiaries

As already mentioned in the 2008 Annual Report, in accordance with Law 262/2005 governing protection of savings and the regulation of financial markets, Consob established certain conditions for the listing of companies with control over non-EU companies (art. 36, Market Regulation). Pursuant to art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A.), Borsa Italiana has also required that – at the time of approval of the Parent company financial statements - the management board of a company controlling non-EU companies declares whether or not the conditions of art. 36, letters a), b) and c) of the Market Regulation are met. The relevant Intesa Sanpaolo declaration to this effect can be found in the 2008 Annual Report.
In this respect, no acquisitions were completed in the first quarter of 2009 concerning companies registered in non-EU countries which, considered independently, are of material significance to the regulations in question.

The Management Board

Milano, 14 May 2009

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

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Ernesto Riva, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2009 corresponds to corporate records, books and accounts.

Milano, 14 May 2009

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

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Financial calendar

Approval of results as at 30 June 2009:	28 August 2009
Approval of results as at 30 September 2009:	10 November 2009

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

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


1. Padova
Fountain, Piazza delle Erbe


2. Roma
Fontana delle Tartarughe, Piazza Mattei


3. Firenze
Courtyard fountain, Palazzo Vecchio


4. Venezia
Fountain, Excelsior Palace Hotel


5. Campobasso
Fountain, Piazza Vittorio Emanuele


6. Torino
Fontana angelica delle Quattro Stagioni, Piazza Solferino


7. Genova
Fontana di Nettuno, Palazzo Doria Pamphilj


8. Forlì
Fountain, Piazza Ordelaffi


9. Napoli
Fountain, Capodimonte Gardens


10. Bologna
Fontana del Nettuno, Piazza Maggiore


11. Milano
Fountain, Piazza Fontana


12. Perugia
Fontana Maggiore, Piazza IV Novembre


13. Palermo
Fontana del Tritone, Archaeological Museum


14. Pesaro
Fountain, Piazza Maggiore


15. Bari
Fountain, Piazza Aldo Moro


16. Cagliari
Fontana della passeggiata, Via Roma


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


18. Aosta
Fountain, Via Croce di Città


19. Trieste
Fontana dei Tritoni, Piazza Vittorio Veneto


20. Catanzaro
Fountain, Piazza Santa Caterina


21. Trento
Fontana di Nettuno, Piazza del Duomo


22. Potenza
Fountain, Montereale Park


23. Ancona
Fontana dei Cavalli, Piazza Roma


24. Gorizia
Fountain, Piazza della Vittoria

Credits

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