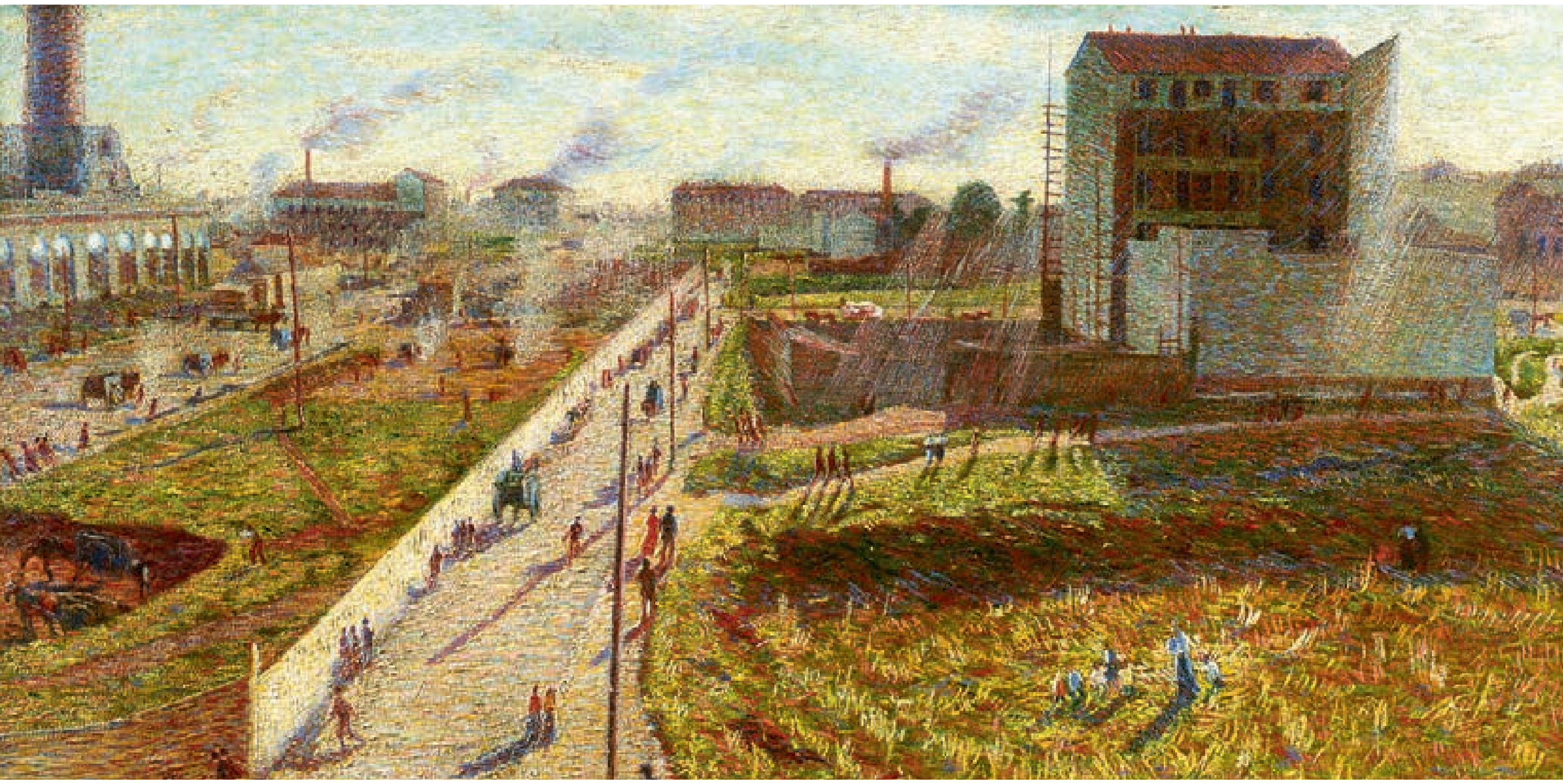
Interim statement as at 30 September 2013



This is an English translation of the Italian language original "Resoconto intermedio al 30 settembre 2013" that has been prepared solely for the convenience of the reader. The Italian language original "Resoconto intermedio al 30 settembre 2013" was approved by the Management Board of Intesa Sanpaolo on 13 November 2013 and is available on group.intesasanpaolo.com

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

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

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

Interim Statement as at 30 September 2013

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,545,681,412.32 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN
Banca FIDEURAM
BANCA IMI
BANCA MONTE PARMA
BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ
BANCO DI NAPOLI
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CASSA DI RISPARMIO DI VENEZIA
CARISBO
INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,451	Intesa Sanpaolo Private Banking	57
	Banca Fideuram	37
	Banca Prossima	22
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
19	CR del Veneto	391
	CR in Bologna	189
	CR del Friuli Venezia Giulia	124
	CR di Forlì e della Romagna	103
	CR Venezia	102
	Banca di Trento e Bolzano	78
	Banca Monte Parma	67
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	13
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
243	Banca CR Firenze	594
	Banca dell'Adriatico	124
	Intesa Sanpaolo Private Banking	24
	Banca Fideuram	21
	Banca Prossima	7
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
9	Banco di Napoli	684
	Banca dell'Adriatico	106
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
165	Banca di Credito Sardo	92
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 30 September 2013

Product Companies

INTESA SANPAOLO VITA
Bancassurance

INTESA SANPAOLO PREVIDENZA
Pension Funds

EurizonCapital
Asset Management

SIREFID
Fiduciary Services

INTESA SANPAOLO PERSONAL FINANCE
Consumer Credit

SETEFI
Electronic Payments

LEASINT
Leasing

MEDIOFACTORING
Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK بنك الإسكندرية | BANCA DI TRENTO E BOLZANO / BANK FÜR TRIENT UND BOZEN | Banca FIDEURAM | BANCA IMI

BANCA INTESA | BANCA INTESA Beograd | BANKA KOPER | CIB BANK

INTESA SANPAOLO BANK Albania | INTESA SANPAOLO BANK Romania | INTESA SANPAOLO BANKA Bosna i Hercegovina | INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO PRIVATE BANK SUISSE | PRAVEX-BANK | PRIVREDNA BANKA ZAGREB | Société Européenne de Banque

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

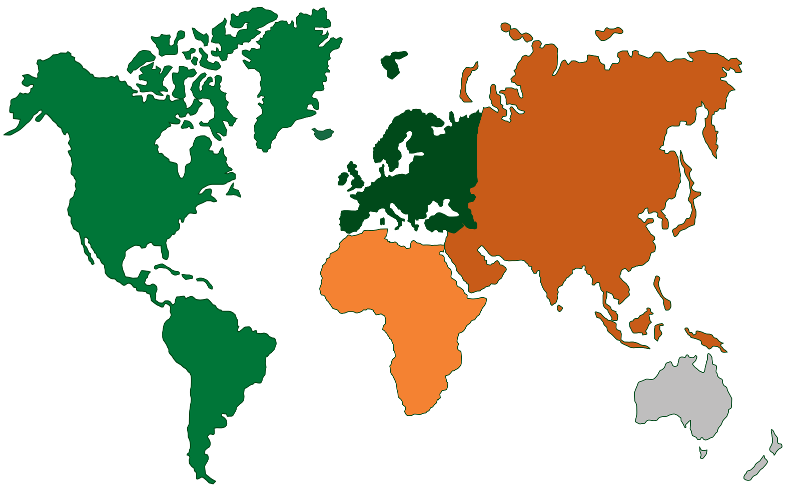
Representative Offices
Sydney

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	51
Croatia	Privredna Banka Zagreb	205
Czech Republic	VUB Banka	1
Hungary	CIB Bank	102
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	76
Russian Federation	Banca Intesa	69
Serbia	Banca Intesa Beograd	193
Slovakia	VUB Banka	238
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	260
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	183
Casablanca			
Tunis			

Figures as at 30 September 2013
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk

Product Companies

CONSUMER FINANCE HOLDING | INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

CIB INVESTMENT FUND MANAGEMENT | Eurizon Capital s.a. | FIDEURAM Asset Management (Ireland) | PBZ INVEST | VÚB ASSET MANAGEMENT

Asset Management

CIB LEASING | INTESA LEASING Beograd | PBZ LEASING | VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairpersons	Mario BERTOLISSI Gianfranco CARBONATO
Members	Gianluigi BACCOLINI Francesco BIANCHI Rosalba CASIRAGHI Carlo CORRADINI Franco DALLA SEGA Piergiuseppe DOLCINI Jean-Paul FITOUSSI Edoardo GAFFEO Pietro GARIBALDI Rossella LOCATELLI Giulio Stefano LUBATTI Marco MANGIAGALLI Iacopo MAZZEI Beatrice RAMASCO Marcella SARALE Monica SCHIRALDI

Management Board

Chairman	Gian Maria GROS-PIETRO
Senior Deputy Chairperson	Marcello SALA
Deputy Chairperson	Giovanni COSTA
Managing Director and Chief Executive Officer	Carlo MESSINA (*)
Members	Carla Patrizia FERRARI Piera FILIPPI Gaetano MICCICHE' (*) Francesco MICHELI Giuseppe MORBIDELLI Bruno PICCA

Manager responsible for preparing the Company's financial reports — Ernesto RIVA

Independent Auditors — KPMG S.p.A.

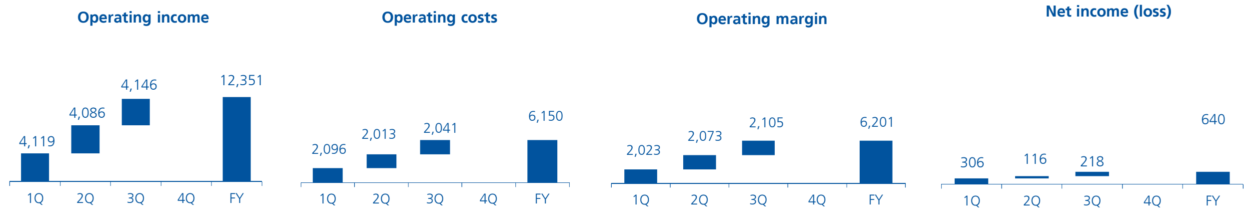
(*) General Managers

OVERVIEW OF THE NINE MONTHS OF 2013

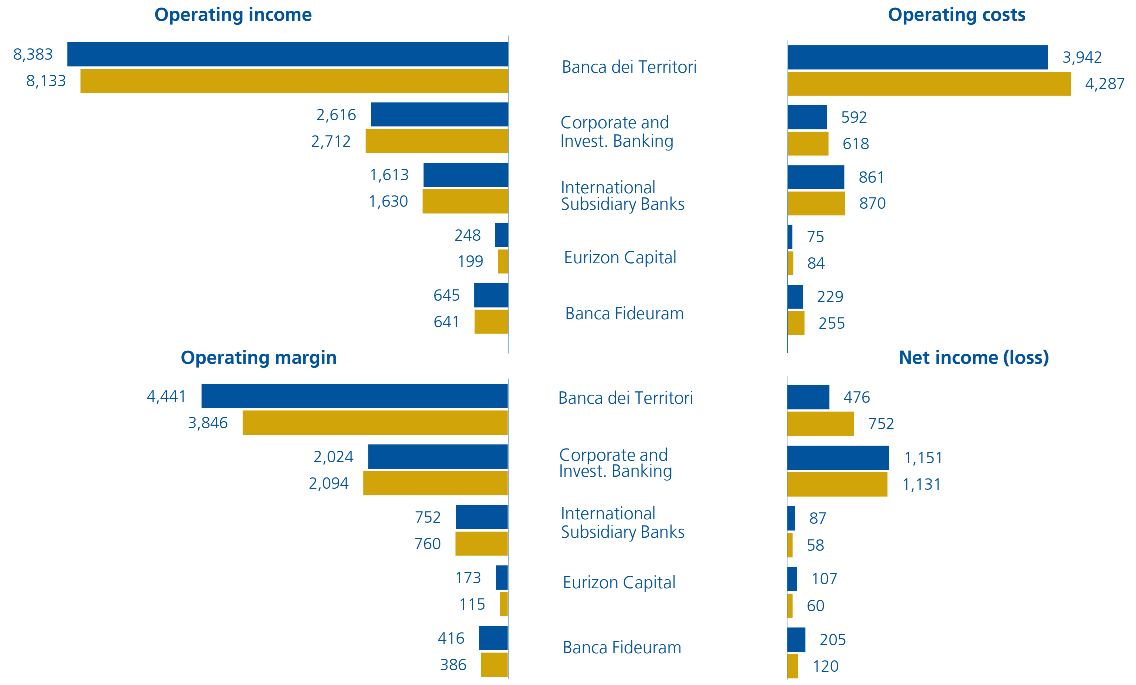
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	30.09.2013	30.09.2012	Changes amount	Changes %
Net interest income	6,094	7,249	-1,155	-15.9
Net fee and commission income	4,524	3,972	552	13.9
Profits (losses) on trading	1,091	1,500	-409	-27.3
Income from insurance business	653	669	-16	-2.4
Operating income	12,351	13,387	-1,036	-7.7
Operating costs	-6,150	-6,616	-466	-7.0
Operating margin	6,201	6,771	-570	-8.4
Net adjustments to loans	-4,031	-3,253	778	23.9
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	640	1,688	-1,048	-62.1

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



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



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

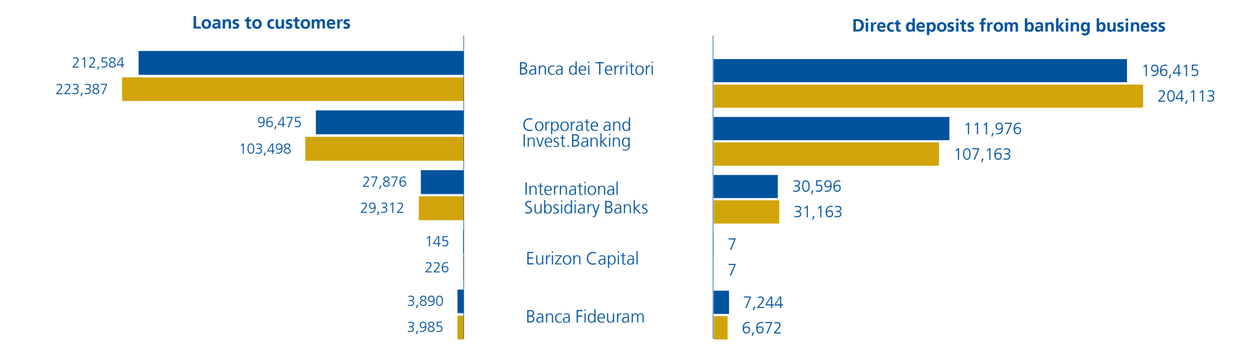
30.09.2013

30.09.2012

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.09.2013	31.12.2012	Changes amount	Changes %
Financial assets	196,062	199,790	-3,728	-1.9
of which: Insurance Companies	*83,821*	*80,400*	*3,421*	*4.3*
Loans to customers	349,671	376,625	-26,954	-7.2
Total assets	639,768	673,582	-33,814	-5.0
Direct deposits from banking business	363,310	380,353	-17,043	-4.5
Direct deposits from insurance business and technical reserves	89,662	81,766	7,896	9.7
Indirect deposits:	420,919	413,796	7,123	1.7
of which: Assets under management	*250,109*	*231,491*	*18,618*	*8.0*
Shareholders' equity	49,481	49,320	161	0.3

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



Operating structure	**30.09.2013**	**31.12.2012**	**Changes amount**
Number of employees	**94,157**	**96,170**	**-2,013**
Italy	65,305	66,485	-1,180
Abroad	28,852	29,685	-833
Number of financial advisors	**5,083**	**5,082**	**1**
Number of branches [(a)]	**6,339**	**6,841**	**-502**
Italy	4,859	5,302	-443
Abroad	1,480	1,539	-59

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

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

30.09.2013
31.12.2012

Other alternative performance measures

Consolidated profitability ratios (%)	30.09.2013	30.09.2012
Cost / Income	49.8	49.4
Net income / Average shareholders' equity (ROE) [(a)]	1.1	4.2

Earnings per share (euro)	30.09.2013	30.09.2012
Basic earnings per share (basic EPS) [(b)]	0.04	0.10
Diluted earnings per share (diluted EPS)	0.04	0.10

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

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

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

30.09.2013
30.09.2012

Consolidated risk ratios (%)

	30.09.2013	31.12.2012
Net doubtful loans / Loans to customers	3.7	3.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	61.0	60.5

Consolidated capital ratios (%) [c]

	30.09.2013	31.12.2012
Tier 1 capital [d] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	11.5	11.2
Tier 1 capital [d] / Risk-weighted assets	12.5	12.1
Total capital [e] / Risk-weighted assets	14.4	13.6
Risk-weighted assets (millions of euro)	277,976	298,619

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

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

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

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

30.09.2013
31.12.2012

Executive summary

The macroeconomic context

The economy and the financial and currency markets

Economic surveys and industrial production figures recorded widespread improvement during the third quarter, indicating a moderate reacceleration in the global economy. This situation was disrupted by American Congress stalemate on government spending legislation and on the debt limit, leading to a prolonged "shutdown" of the federal government at the end of the quarter.
Positive signs were observed in the Eurozone as well, where the gross domestic product was already showing marginal growth in the second quarter. Nevertheless, while confidence surveys show substantial and widespread improvement, industrial production in the Eurozone declined 0.1% during the period July-August compared to the numbers observed in the spring, evidence of the fragile nature of the developments underway in the real economy.
The weakness of the recovery is even more evident in the Italian figures. Contrary to what was observed in the Eurozone, Italian GDP decreased again in the second quarter. Significant improvement in the confidence level of businesses and consumers was recorded during the following quarter in Italy as well, and the PMI (Purchasing Managers Index) for the manufacturing industry returned to levels generally consistent with growth in activity. Public administration's payment for supply services was settled quickly, exceeding 11 billion euro in September. The decline in employment has slowed, along with the increase in the unemployment rate. Nevertheless, the decline in industrial production during the two-month period July-August was sharper than in the entire Eurozone, and stabilisation of GDP during the third quarter is still uncertain. On the external front, the trade surplus declined compared to the second quarter, yet remained above 2 billion euro. However, the improvement over 2012 reflects the decline in imports to a greater extent than the increase in exports.

The European Central Bank kept its official rates unchanged during the third quarter and did not introduce any new measures in terms of liquidity. Rates on deposits and on the main refinancing operations remained, therefore, at zero and 0.5%, respectively. Since July, the ECB has begun indicating the most probable trend in monetary policy, and in recent months it has always announced its intention to keep official rates at the level reached, without excluding the possibility of reducing them. In November, following a sharp decline in inflation in the Eurozone, the ECB decided to cut the rate on the main refinancing operations by 25 basis points, to 0.25%.
Money market rates were stable throughout the quarter (0.13% for the monthly Euribor). IRS rates rose moderately between July and September, sharper for the long maturities and partly offset after the end of the quarter.
Foreign investor confidence in our Country cautiously improved during the summer. Foreign portfolio inflows were positive, although very modest, and risk premiums on public debt decreased up until the end of August. External factors and the threat of government crises subsequently led to a moderate widening of the differentials with the Bund. However, the impact on prices was relatively limited and investors maintained a constructive attitude. Refinancing of debt and of the government's net borrowing requirements (which was more considerable than initial estimates) took place without difficulty and at limited costs. The BTP yield fluctuated without a specific direction, reaching period lows and highs in mid-August and mid-September, respectively.

With regard to the international stock markets, the first nine months of 2013 highlighted trends supported by the expansionary monetary policies of central banks and by signs of an inversion in trend in the Eurozone's economic cycle.
After a worrisome start of the year in Europe, with the crisis in Cyprus' banking-financial system and growing political uncertainty in Italy stemming from the outcome of the elections, the April announcement by the Japanese Central Bank of an ultra-expansionary monetary policy, combined with the accommodating policies of the FED and ECB, encouraged an increase in international stock indices.
This trend was temporarily interrupted after mid-May, due to investors' growing concerns on the timing of the Federal Reserves' decrease in securities purchases. The stock indices correction significantly lowered, and in some cases completely erased, the gains from the start of the year.
The stock market trend was largely positive during the third quarter, due to the first signs of stabilisation in the cycle and, in some countries of the Eurozone, of economic recovery. The risk premium required by investors declined, with a gradual refocusing of attention back on fundamentals performance.
The S&P 500 index rose by 17.9% during the first nine months of 2013. Asia's main stock markets continued to show highly diverging performance: China's SSE Composite Index ended the period down 4.2%, partly recovering the decline recorded in the first half of the year (-12.8% at the end of June), while the Nikkei 225 index rose further (+39.1%), reflecting the positive impacts of expansionary monetary and fiscal policies.
The climate of greater confidence in the Eurozone sustained performance of the peripheral markets, which significantly reduced the gap with core markets during the third quarter.
The DAX 30 ended the period up by 12.9%, while the CAC 40 grew 13.8%; even the Spanish market showed a clear recovery, with the IBEX 35 recording +12.5% (after -5.0% at the end of June). The Euro Stoxx index ended the first nine months of the year up 12.3%. Outside of the Eurozone, the British market index FTSE 100 grew 9.6%, while the Swiss market index (SMI) closed the period at +17.6%.
Performance of the Italian stock market was worse than the major European markets at the end of September, penalised by continued weakness of the domestic economy, as well as by renewed political tensions among the governing forces; however, the performance gap decreased compared to the first half of the year. The FTSE MIB index ended the nine-month period up 7.1%

(after a 6.4% decline at the end of June); similarly, the FTSE Italia All Share was up 7.6% (-5.4% in the first half of the year). Mid-cap stocks, on the other hand, largely out-performed blue chips, with the FTSE Italia STAR index recording an increase of 34.1% at the end of September.

In the corporate bond segment, the first nine months of 2013 ended with a generalised tightening of risk premiums on the European markets, particularly for asset classes with the lowest creditworthiness, continuing to benefit from accommodating monetary policies and signs of economic recovery in the Eurozone.
During the third quarter, markets were mainly influenced by investors' expectations on the development of expansionary measures adopted by the Federal Reserve and by the European Central Bank. Initially, the performance of spreads benefited from confirmation of a solid expansionary stance by the ECB, justified by significant downward risks for growth in the Eurozone and abundant liquidity in search of yields. Subsequently, the surprise effect of the FED's decision to temporarily postpone the downsizing of the securities purchase programme further fuelled the risk premiums decrease underway.
Consequently, the first nine months of 2013 ended with a positive balance, driven by narrowing of the risk premiums to an equivalent extent between industrial and financial bonds. Note that the spread on financial issuers continues to be lower than that on industrial ones, confirming the normalisation of the European credit markets.
The return of risk propensity and the continued search for attractive yields by investors have driven the performance of speculative securities, particularly in the classes with lower creditworthiness.
Even the derivatives segment showed a general decline in insolvency risk hedging costs, both during the quarter as well as in the first nine months of the year, although recording lower performance than the cash segment. The crossover index is confirmed as the driver of tightening in the synthetic indices over the first nine months, while only the performance of the financial indices, both subordinated and senior, remains marginally negative.

The emerging economies and markets

The cyclical indicators show moderate improvement in the economies of emerging countries in the third quarter, although economic activity remains weaker overall compared to 2012. The International Monetary Fund cut the growth forecasts for emerging economies again in October, for the current year as well as for the upcoming year, bringing the figure to 4.5% in 2013 and 5.1% in 2014. The sharpest downward revisions regarded Russia, Mexico, India and all countries directly involved in the political upheavals taking place in the MENA area (Middle East and North Africa). There were also some upward adjustments, although limited and regarding 2013 in particular, as in the case of countries in Central and South-Eastern Europe, expected to grow by 2.3% in 2013 and 2.7% in 2014, an acceleration compared to the 1.4% recorded in 2012.
The trend growth rate in industrial production for a sample representing 75% of the GDP of emerging countries increased from 4.0% in the second quarter of 2012 to 4.5% in July-August. The trend in industrial production accelerated in a number of emerging countries, particularly in Asia, but also in a number of European countries such as Poland, Romania and Serbia. At the European level, industrial production still showed a declining trend in Russia, Ukraine, Slovenia and Croatia. For the services sector, as far as the BRIC countries are concerned, the PMI indicator recorded in September showed acceleration compared to June in Russia, China and Brazil, while India observed a substantial decline.
Price pressures remained moderate. The annual inflation rate for the same sample representing 75% of the GDP of emerging countries was 5.1% in September, unchanged compared to June and only slightly up over the 4.8% of December 2012. For countries with ISP subsidiaries in particular, the overall annual inflation rate declined again in September in the CEE and SEE countries, in Russia and, in particular, in Ukraine, while it accelerated in Egypt.

The banking system

Rates and spreads

Gradual easing of the cost of customer deposits continued during the third quarter of 2013. This was driven above all by the decline in the average rate on time deposits, due to the joint effect of lower costs of new deposits and removal from stock of those stipulated during the more acute phases of the sovereign debt crisis, now mature. The average rate on time deposits declined during the quarter to the lowest levels since October 2011.
Even the marginal cost of fixed-rate summer issues was lower than the previous year's values, at under 3%. Nevertheless, the rate on existing bonds was steady, in line with the second quarter, but slightly above the average for the first quarter of 2013 and for the entire previous year. Over time, the lower-cost new issues should gradually drive down the rate on outstanding bonds as well.

Contrary to what was observed for the cost of new funding, rates on loans remained largely unyielding, presumably due to the ongoing high credit risk, which has continued to impact conditions on the credit market. The overall rate on new loans to non-financial companies during the third quarter was on average similar to the first half of 2013 and second half of 2012. Among the components of the average figure, signs of recovery of the rate on new loans of up to 1 million euro were observed, interrupting the slightly expansive phase recorded during the first half of 2013, rising above the level recorded at the beginning of the year. Conversely, the rate on new larger loans (over 1 million euro) showed fluctuating performance during the summer as well, with the average value in line with that of the first half of the year. The average rate on new mortgage loans to households was stable at the June 2013 level, slightly lower than the first half of the year on average.
Rates on outstanding loans also remained unyielding, as in the previous quarter, after the decline recorded in 2012. The average rate on the stock of loans to households and businesses in the third quarter of 2013 showed hints of recovery compared to the spring months, encouraged by the trend in the rate granted to non-financial companies.

Thanks to the drop in the cost of funding and to the stickiness of rates on loans, the overall margin on lending and deposit collection activities continued its moderate upward trend in the third quarter, after minimal progress made in the first half of the year. The spread between average interest rates on loans and deposits rose to above 2%, clearly leaving behind the lows recorded during the final part of 2012 (estimated 2.03% for the third quarter, 10bp higher than the average for the first half of the year). The spread on funding, measured on short-term interest rates, remained in negative territory, where it had been since March 2012, but the third quarter confirmed a moderate recovery from its trough levels, driven by a slight decrease in rates on current accounts (mark-down[1] on the 1-month Euribor estimated at -0.34% for the third quarter, from -0.38% in the first half of the year and -0.43% in the last quarter of 2012). The mark-up[2] on the 1-month Euribor remained at high levels, close to its average value in the second quarter, but slightly down from the initial months of 2013, when it reached the peak of the historical series from 2003 (5.0% is the estimated average for the third quarter of 2013, in line with the previous three months).

Loans

Lending activity remained weak. The drop in loans to non-financial companies steepened further in the third quarter, pushed down by the continuing contraction in short-term loans, resulting from the decreased working capital requirements of businesses, and by the further decline in medium-long term loans. The drop of the latter type of loans is unprecedented, and stems from the fall in the demand for investment loans. Even in the third quarter, the level of the contraction in loans to businesses showed no significant differences according to borrower size, indeed, the decline in loans to smaller businesses was largely similar to that in loans to larger businesses.

Loans to households continued to drop very slightly. Breakdown of household loans shows that the monthly disbursements of new home-purchase loans to households remained at trough levels.

Overall, loans to households and businesses showed an annual drop estimated at 3.2% in the third quarter, on average in line with the previous three months.

The contraction in loans was driven by weakening of demand due to the downturn and by the uncertain economic outlook. On the supply side, the prevailing factors were the fears of deterioration of borrowers' creditworthiness and the worsening of credit quality, as signalled by the faster increase in doubtful loans. Therefore, the bank lending market has maintained a highly prudent attitude, although recording a significant improvement in the impressions of businesses with respect to credit access conditions.

Direct deposits

Bank funding held firm overall, although slightly down compared to the recovery observed in the last part of 2012, with a slightly positive variation rate up until August. Funding continued to benefit from the crucial support of deposits by residents, up by around 6% from June to August, due to solidity in household deposits and to the excellent trend of deposits by non-financial companies, which achieved double-digit growth rates in the third quarter. The trend in deposits was impacted by growth in current accounts, with an annual increase of nearly 6% during the third quarter, after the turnaround at the beginning of 2013 which ended the negative variation phase that lasted over two years. At the same time, time deposits showed signs of consolidation, accounting for 14% of total funding. After the substantial inflows recorded starting from the end of 2011, slightly negative monthly variations were recorded in summer 2013 compared to the peak in stock achieved in May. Compared to the previous year, the volume of time deposits confirmed double-digit growth, although slowing, as expected, compared to the exceptional growth rates recorded throughout the strong development phase. Conversely, the sharp decline in bank bonds continued during the summer, down approximately 10% (year on year, excluding bonds held in banks' own portfolios). This trend was impacted, among other things, by the replacement underway in favour of time deposits.

Indirect deposits and asset management

As to assets under administration by banks, the drop in customers' debt securities held in custody by banks continued, driven by growth in bank deposits and renewed interest in mutual funds, especially during the first part of 2013. In particular, the declining trend in debt securities held in custody for consumer households steepened. In absolute terms, these securities continued to experience monthly drops, on top of the contraction already recorded throughout 2012.

With regard to assets under management, the Italian open-ended mutual funds market achieved a positive balance in the third quarter as well, although down compared to the record inflows of the first half of the year and slightly negative in September. Net inflows during the quarter were supported by subscriptions of flexible funds and, to a lesser extent, equity funds. Conversely, unlike the previous two quarters, bond funds recorded a slightly negative net balance, due to outflows in September. The positive inflow balance again impacted both Italian as well as foreign funds. The total stock managed by the open-ended mutual funds industry amounts to 532 billion euro at the end of September, up by over 15 billion euro compared to June and 49.8 billion euro from the end of 2012.

As to insurance, in the third quarter the new life insurance business continued the upward trend in collected premiums which had started in the early months of the year (approximately +48.8% year on year in the three months). The positive result was achieved thanks to the particularly steady performance of traditional policies (+67.4% year on year for class I and V products during the quarter), while linked policies with a higher financial content saw an end to the recovery recorded during the first half of the year, with a decline in subscriptions during the three summer months (-13.7% year on year).

[1] Difference between the 1-month Euribor and interest rates on household and business current accounts.

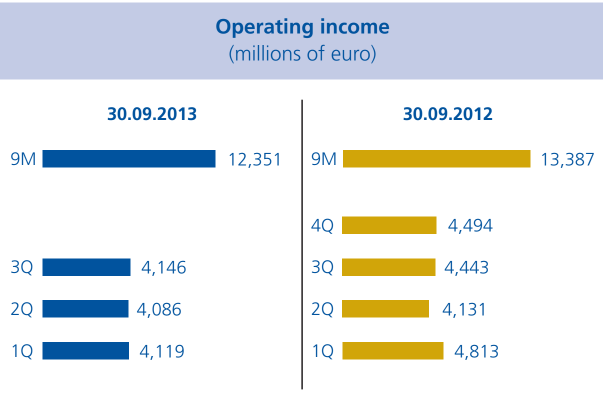
[2] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

Intesa Sanpaolo in the nine months of 2013

Consolidated results

Economic indicators recorded widespread improvement during the third quarter, highlighting moderate acceleration in the global economy. Positive signs were observed in the Eurozone as well. However, progress of the real economy appears to be fragile. The weakness of the recovery is even more evident in Italy, which recorded significant improvement in the climate of confidence but a steeper decline in industrial production in July-August than in the Eurozone. The European Central Bank kept official rates unchanged, and money rates were stable throughout the quarter. Foreign investor confidence in Italy cautiously improved during the summer. Refinancing of debt and of the government's net borrowing requirements took place without difficulty and at limited costs.

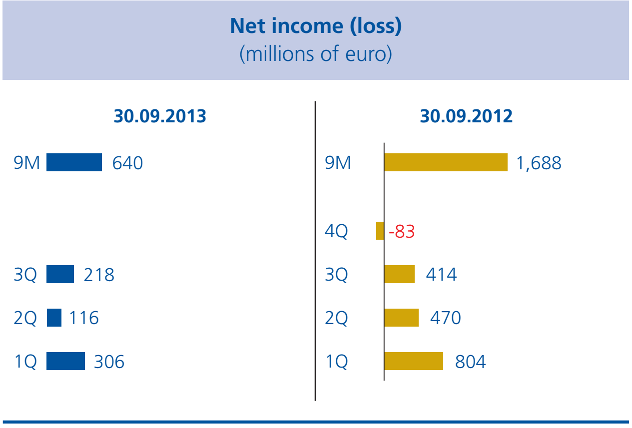
Results of the Intesa Sanpaolo Group for the nine months of 2013 were positive, albeit significantly down compared to the same period of the previous year, confirming the trend observed in the first half of the year. The income statement closed with a net income of 640 million euro, compared to 1,688 million euro in the same period of 2012. Operating income was down. The positive trend in net fee and commission income was not sufficient to offset the declines in the interest margin and profits on trading, which during the nine months of 2012 benefited from higher non-recurring income, mainly linked to the buy-back of own securities. The operating margin was down as well, despite being supported by the effects of the structural cost containment measures, in particular those relating to staff costs. Income before tax from continuing operations was further penalised, and to a significant extent, by the greater need for adjustments, particularly following the worsening credit quality due to negative performance of the real economy.



A detailed breakdown of operating income items for the nine months of 2013 shows net interest income of 6,094 million euro, down approximately 16% compared to the nine months of 2012, mainly due to lower contribution from operations with customers, which were hit especially hard by the difficult market environment, and to the prudent choice to maintain high liquidity levels.
The services segment generated net fee and commission income of 4,524 million euro, up by approximately 14%, mainly driven by the positive contribution from management, dealing and consultancy activities (+24.3%), but also from commercial retail banking activities (+7.5%) and other commission income (+2.5%).

Profits on trading amounted to 1,091 million euro, down from 1,500 million euro in the nine months of 2012, which however had benefited, inter alia, from the positive effect of the buy-back of subordinated notes for 601 million euro (402 million euro net of the tax effect). The buy-back and exchange of own securities in 2013 generated a more limited positive effect of 193 million euro (129 million euro net of the tax effect).
Income from insurance business, which aggregates revenue and cost items specific to the insurance business pursued by the Group companies operating in the life and non-life segments, amounted to 653 million euro, slightly down compared to the same period of 2012 (669 million euro), as growth of the technical margin was entirely offset by the contraction in net investment result from financial management.

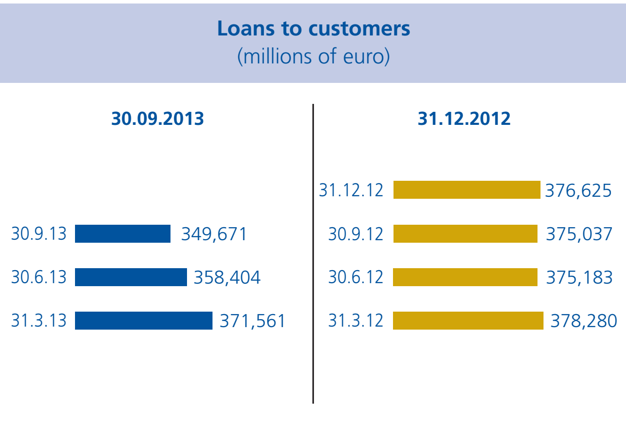
As a result of the above trends, operating income amounted to 12,351 million euro, down 7.7% compared to the nine months of 2012.
Operating costs, which are constantly monitored and subject to structural containment measures, declined significantly (-7% to 6,150 million euro), particularly concerning the personnel expenses component (-9.4%). Other administrative expenses also decreased (-5.7%), while adjustments rose moderately (+7.4%) as a consequence of investments in technology and infrastructure. The operating margin came to 6,201 million euro, down 8.4% on the nine months of 2012.



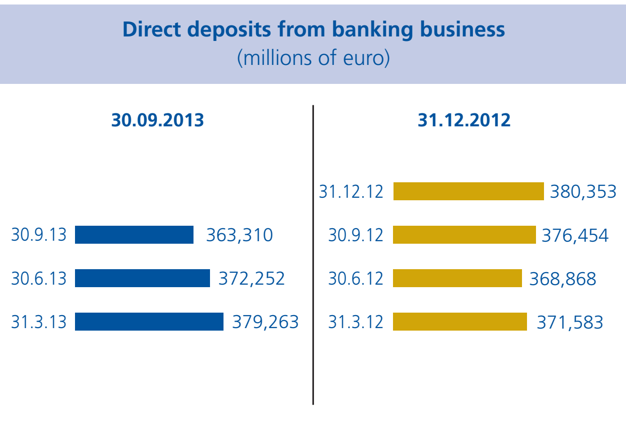
Adjustments and provisions for risks, as a whole, were up around 23%, due to greater net adjustments to loans (4,031 million euro, approximately +24%), attributable to the further deterioration in credit quality as a result of continued difficulty in the Italian economy. Impairment losses on other assets were also up (247 million euro compared to 141 million euro in the nine months of 2012), essentially regarding securities available for sale.
Income before tax from continuing operations came to 1,825 million euro, down by 43% compared to the same period of the previous year.
After recognition of income tax for the period of 902 million euro, charges for integration and exit incentives of 38 million euro and the effects of purchase price allocation of 219 million euro, as well as minority interests of 26 million euro, the Group's income statement closed with a net income of 640 million euro, compared to 1,688 million euro for the nine months of 2012.

Two performance indicators should be noted: the cost/income ratio which, despite the drop in revenues, is slightly below 50%, and the Group-wide effective tax rate, which is nearly 50%.

A breakdown by quarter shows a net income of 218 million euro in the third quarter of 2013 compared to 116 million euro in the second quarter. More specifically, the slight growth in operating costs (+1.4%) was offset by higher operating income (+1.5%), leading to a 1.5% increase in the operating margin.
Adjustments and provisions were down overall (-5.2%), despite the higher need for adjustments to loans (approximately +5%). Income before tax from continuing operations increased in the third quarter (+17% to 570 million euro).

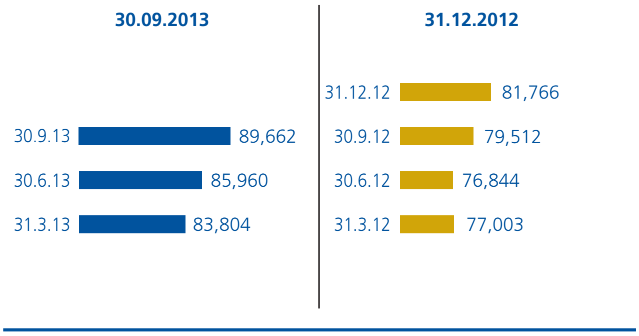


As to balance sheet aggregates, loans to customers totalled around 350 billion euro (-7.2% compared to the end of 2012). The decline in commercial banking loans (advances and loans, mortgages and current accounts, down 7.6% overall), and in loans represented by securities (-8.1%) was compounded by the decline in reverse purchase agreements at the end of the period (-26.4%). Performance of the various types of loans to customers was also impacted by the increase in non-performing loans (+8.2%), in particular doubtful and substandard loans, while restructured loans and past due loans decreased.



Direct deposits from banking business amounted to 363 billion euro, down (-4.5%) compared to the end of 2012. The aggregate result is mainly attributable to the reduction in repurchase agreements (approximately -71%). Indeed, the demand component, consisting of current accounts and deposits, was significantly up (+5.3%) but was offset by the decline in bonds (-10.2%), subordinated liabilities (-10%) and certificates of deposit (-29.5%). Other deposits were essentially stable (+0.5%).

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

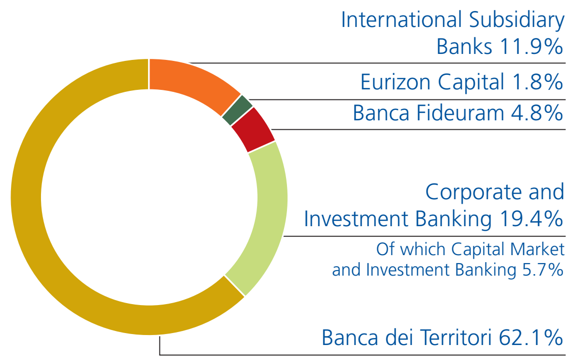


Conversely, direct deposits from insurance business, which include technical reserves, increased significantly (+9.7% to nearly 90 billion euro).
The overall increase was attributable both to the higher value of financial liabilities of the insurance business designated at fair value, particularly unit-linked products, and to the increase in technical reserves, which represent the amount owed to customers who have taken out traditional insurance policies.
New business for the nine months of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to over 14 billion euro.

Results of the business units

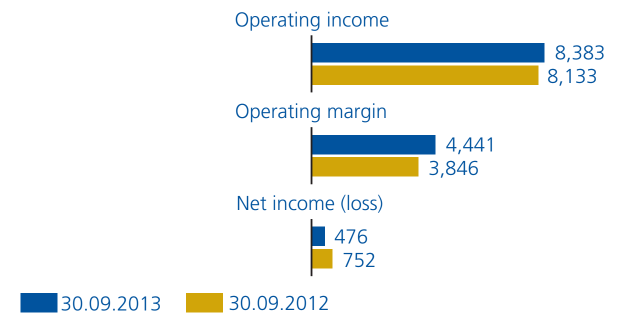
The breakdown of the Group's five business units' contribution to operating income in the nine months of 2013 shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 62% of operating income), while a significant contribution also comes from corporate and investment banking activities (approximately 19%) and international retail banking activities (about 12%).

Operating income:
Breakdown by business area (1)



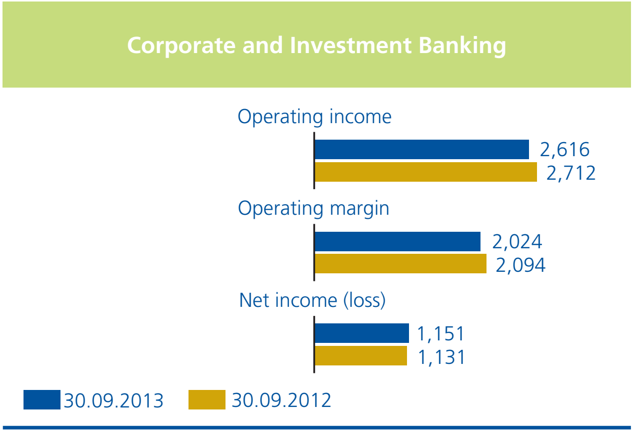
(1) Excluding Corporate Centre

Banca dei Territori



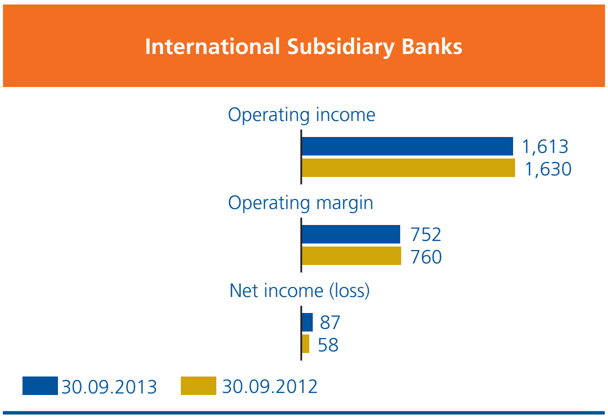
In the nine months of 2013, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 8,383 million euro (+3.1% compared to the nine months of 2012). In greater detail, the decrease in net interest income (-3.8%) and the contraction in profits on trading (-27.4%) were more than offset by the rise in net fee and commission income (approximately +17%) and by the positive result of income from insurance business (+2.3%). These results, together with the effects of the structural operating cost containment measures (-8%) generated significant gains in operating margin (+15.5% to 4,441 million euro). On the contrary, income before tax from continuing operations decreased (-27.7% to 1,097 million euro), penalised by higher adjustments to loans (approximately +46%). Net income, after accounting for taxes of 467 million euro, economic effects of purchase price allocation of 124 million euro and charges for integration and exit incentives of 30 million euro, came to 476 million euro (-36.7%).
Balance sheet figures at the end of September 2013 showed a decline in loans to customers (-4.8% to 212,584 million euro) compared to the end of the previous year, essentially due to the decrease in loans to business and small business customers as a

result of the economic slump. Direct deposits from banking business also decreased (-3.8% to 196,415 million euro) owing to the reduction in securities funding. On the other hand, direct deposits from insurance business rose (+6.6% to 72,043 million euro), mainly as a result of the growth in technical reserves.

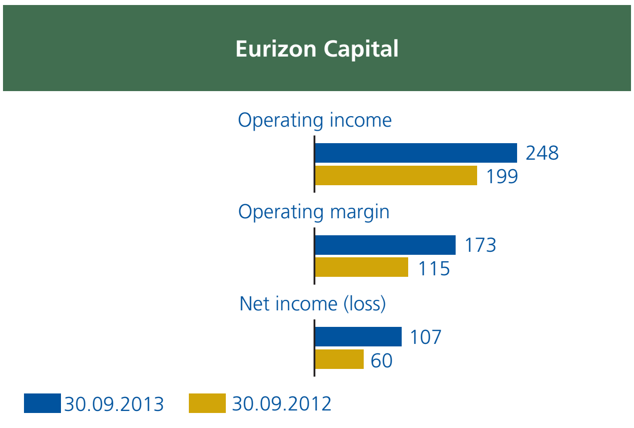


The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – recorded operating income of 2,616 million euro during the period, down (-3.5%) compared to the nine months of 2012. The greater inflows from net interest income (+3.1%) and net fee and commission income (+5.6%) were not sufficient to offset the approximately 21% drop in profits on trading. Operating costs showed a decline (-4.2%) fully attributable to lower personnel expenses. In relation to the performance outlined above, the operating margin was down (-3.3% to 2,024 million euro). Conversely, income before tax from continuing operations increased by 6.5%, due to the lower requirement for adjustments and provisions. Lastly, net income came to 1,151 million euro, up by 1.8% on the nine months of 2012.

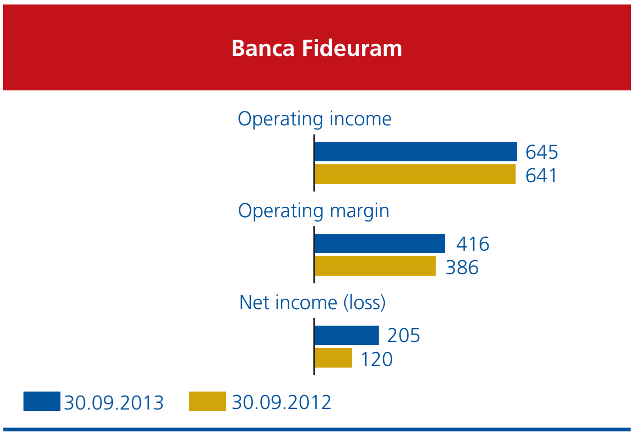
As for the balance sheet figures, direct deposits from banking business were up (+4.5% to 111,976 million euro), mainly due to specific commercial actions designed to boost the corporate deposits of leading financial institutions and large groups. Conversely, loans to customers were down (-6.8% to 96,475 million euro), resulting from the lesser use of cash, only partly offset by the growth of reverse repurchase agreements with institutional operators and financial intermediaries.



The operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – declined by 1% to 1,613 million euro. Indeed, the decline in net interest income (-5.1%) was almost entirely offset by higher profits on trading, which more than doubled, with stable performance of net fee and commission income. Operating costs were down (-1%). As a result of the above revenue and cost trends, the operating margin decreased slightly (-1.1% to 752 million euro), while the income before tax from continuing operations increased (+12.9%), due to lower adjustments to loans. The Division closed the income statement with a net income of 87 million euro, up compared to 58 million euro reported in the same period of the previous year.
The Division's intermediated volumes decreased compared to the end of December 2012 (-3.3%) owing to the decrease in loans to customers (-4.9%) and, to a lesser extent, to amounts due to customers under direct deposits (-1.8%), mainly from banking business.



The operating income for Eurizon Capital – which operates in the asset management segment – increased during the period (+24.6% to 248 million euro) compared to the same period in 2012, benefiting from good performance of net fee and commission income (+27.3%). Operating costs fell (-10.7%) as a result of the cost containment measures. Operating margin came to 173 million euro, up 50.4%. Eurizon Capital closed the income statement with a net income of 107 million euro (+78.3%). Overall, total assets managed by Eurizon Capital as at the end of September 2013 came to approximately 158 billion euro (+8.6%), as a result of net inflows (for 9.8 billion euro) and of the favourable financial market performance. Eurizon Capital's share of assets under management was 14.5% as at 30 September 2013 (14.4% at the end of 2012).



Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – reported an operating margin for the period of 416 million euro, up compared to the nine months of the previous year (+7.8%), thanks to positive operating income (+0.6%), and lower operating costs (-10.2%). Revenue results were driven by greater inflows from net fee and commission income (+13.6%), which offset the lower contribution from net interest income (-12.4%), profits on trading (-25%) and income from insurance business (-32.3%). Income before tax from continuing operations amounted to 365 million euro, up 27.6%, benefiting from the reduction in provisions for risks and charges (-27.9%) and in impairment losses on other assets (-71.4%). Lastly, after recognition of purchase price allocation effects of 66 million euro, Banca Fideuram closed out its income statement with a net income of 205 million euro, up 70.8% compared to the same period of the previous year.
Assets under management and assets under administration of the Banca Fideuram Group at the end of September 2013 amounted to 81.8 billion euro (of which 63.6 billion euro in assets under management and 18.2 billion euro in assets under administration), up 3.2% since the beginning of the year, thanks to the positive performance in terms of net inflows and to the strong performance of the asset market. In detail, assets under management grew (+7.6%) thanks to the positive performance of the life insurance and mutual funds segment. Conversely, assets under administration showed a decrease (-9.7%).
Direct deposits from banking business and from insurance business grew (+8.6% to 7,244 million euro and +24.4% to 17,620 million euro).

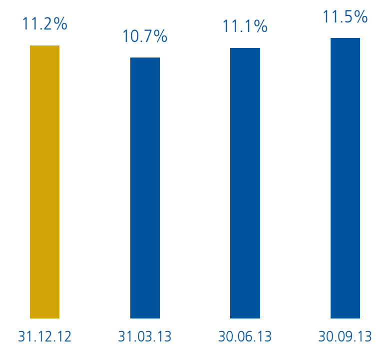
Main risks and uncertainties

The persisting headwinds in the macroeconomic environment and the financial markets' volatility require constant control of the factors enabling the Bank to pursue sustainable profitability: high liquidity, funding capability, low leverage and adequate capital base.

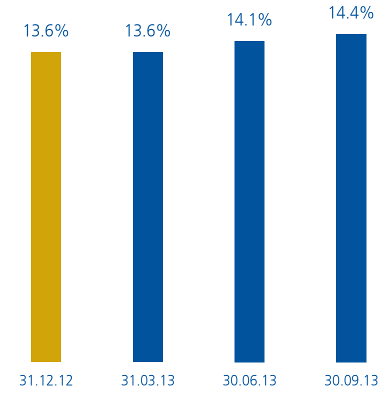
Liquidity remains high: as at 30 September 2013, the liquidity reserves eligible with the various Central Banks came to 124 billion euro, of which 92 billion euro was available spot (net of the haircut) and remained unused, up significantly compared to 67 billion euro at the end of 2012. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised in international markets through short-term paper) shrank to 24 billion euro from 36 billion euro at the end of 2012, after repayment of the first tranche (12 billion euro) of the funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authority in December 2011 and February 2012.
With regard to funding, the period was marked by a moderate drop in direct customer deposits, mainly attributable to the financial component, consisting of repurchase agreements. The widespread branch network continued to be a stable and reliable source of funding: 82% of direct deposits from banking business came from retail operations (297 billion euro). Furthermore, bonds for a value of approximately 3.5 billion US dollars and for 1.6 billion euro were placed on the international markets during the nine months, as well as 1.7 billion euro in covered bonds. Further issues of 1.25 billion US dollars and 1 billion euro were placed in October.
The internal short-term liquidity indicator, which, for the various short-term time brackets, measures the ratio of available liquidity reserves and expected cash flows to expected and potential cash outflows, has values significantly higher than one. Even the medium to long-term financial equilibrium, monitored via a structural liquidity indicator, showed a widely positive surplus at the end of September.
The minimum liquidity ratios provided for by Basel 3 were already met at the end of September 2013 as well: indeed, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceed 100%.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors', while the ratio of risk-weighted assets to total assets remains among the highest, given the key role of retail banking activities within the Group.

The capital base is high and growing: the Total Capital Ratio is 14.4%, Tier 1 is 12.5% and Core Tier 1 is 11.5%.

Core Tier 1 ratio



Total Capital Ratio



With regard to the insurance segment, as at 30 September 2013 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 3,606 million euro, up from 3,280 million euro as at 31 December 2012, an increase reflecting the profit achieved by the company in the nine months of 2013 and the policies for reallocation of the Company’s available capital. The capital absorption level was 2,206 million euro, up compared to 2,016 million euro as at 31 December 2012. The margin exceeded the level required by supervisory rules by 1,400 million euro. The solvency ratio as at 30 September 2013 was 163%, in line with the figure as at 31 December 2012.

The Group’s risk profile remained at relatively low levels, consistent with the intention to continue to privilege commercial banking operations. The changes in the Group’s operational VaR, shown in the chart and mainly attributable to Banca IMI, highlights a reduction in the average figure compared to the nine months of 2012 (61 million euro against 82 million euro), mainly due to the decreased volatility of the spread on Italian government bonds used in the historical scenarios to calculate the indicator.

Market risks trend:
VaR (millions of euro)

The ongoing difficult macroeconomic environment and high financial market volatility heighten the complexity of assessing credit risk and measuring financial assets.

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the counterparty’s credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made consistent with those awarded by rating agencies, by means of a uniform scale of reference.

Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor’s position are promptly recognised. The alarming pace at which the crisis deepened and expanded has made it necessary to constantly review the value both of loans already showing signs of distress and of those not yet showing clear signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as pointed out by the substantial average provisioning percentages for doubtful loans (approximately 61%) and substandard loans (over 23%). With regard to performing loans to customers, the “collective” adjustments provide a portfolio coverage ratio of 0.8%, in line with the coverage in the 2012 financial statements. The lump-sum provisions on performing loans, amounting to 2,413 million euro, fully cover the expected loss calculated by means of internal models.

Considerable attention has been paid to the valuation of financial items. The majority of financial assets (about 90%) are classified as held for trading using the fair value option, under assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 73% using the effective market quotes method (level 1 inputs), 25% using the comparable approach (level 2 inputs) and only 2% using the mark-to-model approach (level 3 inputs). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (93%) were measured using the comparable approach (level 2).
As at 30 September 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 111 billion euro (of which 38 billion euro in securities held on Group insurance companies’ portfolios) and by other loans for 23 billion euro.
The comparative data as at 31 December 2012 showed about 104 billion euro of securities exposure and 26 billion euro of other loans.
As at 30 September 2013, the exposure to Italian government securities was 97 billion euro, with the Banks’ exposure concentrated in the short-term segment (46 billion euro up to 3 years), with a duration of 2 years. On the other hand, the duration of the insurance portfolio is longer, at 6.4 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. These products’ fair value changes during the nine months generated a positive impact of 50 million euro for the former (plus 26 million euro in profits from disposals) and 33 million euro for the latter.

In the current market environments, measuring the recoverable amount of intangible assets is also particularly complex.
In terms of intangible assets with indefinite useful life, consisting of the goodwill and the brand name, booked under balance sheet assets at a total value of 11,057 million euro (of which 8,673 million euro referring to goodwill), no indicators that could impact the positive results achieved in the 2012 financial statements with respect to the solidity of the values recorded among assets were identified as at 30 September, despite the continued weak macroeconomic scenario.
Furthermore, the parameters and information used to test the recoverability of intangible assets with indefinite useful lives are influenced by a number of factors that could cause unpredictable changes.
For the 2013 financial statements, as required by the accounting standards, intangible assets with an indefinite life will undergo an annual impairment test, which will take into account the economic prospects of the relative countries and the profit forecasts of the various businesses that form the Intesa Sanpaolo Group.
The other intangible assets recorded under assets in the balance sheet for a total value of 2,508 million euro, composed by the asset management and insurance portfolios, as well as the core deposits, all with definite useful life, were amortised (approximately 315 million euro before tax). Qualitative analyses on the trends in the main factors considered relevant for measurement purposes were also carried out for these assets, in order to identify any impairment indicators. These analyses identified no critical aspects with respect to the situation at the end of 2012.

Lastly, with regard to the going concern assumption, the Management Board members of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the interim statement as at 30 September 2013 on a going concern basis. This is because in the Group’s assets and liabilities, in its financial structure and in its business performance, no uncertainties casting doubt on the going concern assumption have been detected.

Highlights

In April 2013, Intesa Sanpaolo and the Trade Unions signed an agreement to facilitate the exit of another 600 individuals. The agreement envisages the possibility for people who at that date had met the A.G.O. pension requirements, or who will do so by 31 December 2013, to retire on 1 July 2013, or subsequently to that date upon meeting the requirements, up until 31 December 2013. Furthermore, individuals who meet the pension requirements by 30 September 2017 are offered the possibility to use the Solidarity Allowance, provided they use the allowance for a maximum of 36 months.

At the beginning of July, Intesa Sanpaolo launched a bid to purchase its senior notes. The transaction allowed the Bank to optimise the profile of its liabilities, reducing excess amounts of such liabilities and modifying their timing distribution. With an offer of 2,247 million euro, the final total of notes delivered was 1,493 million euro, corresponding to a total purchase amount of 1,510 million euro. As a consequence of the buyback finalisation, the Intesa Sanpaolo Group recorded a positive contribution in the third quarter of 2013, including the positive impact of the unwinding of interest rate derivatives, of approximately 106 million euro gross (71 million euro net of the tax effect).
The net contribution from the transaction resulted in an improvement of the Core Tier 1 ratio of approximately 2.5 basis point.

In August, Intesa Sanpaolo carried out an exchange of existing subordinated notes (exchange offer) with newly issued Tier 2 subordinated notes in euro, having a maturity of 13 September 2023. The transaction was finalised on 13 September. At the end of the Exchange Offer, the aggregate nominal value of the notes offered by the holders and accepted for the exchange was 1,428 million euro. Consequently, on the settlement date, Intesa Sanpaolo issued an aggregate nominal value of new notes amounting to 1,446 million euro. As a consequence of the exchange finalisation, the Intesa Sanpaolo Group recorded a positive contribution of 87 million euro to its pre-tax income, of 58 million euro to its net income and of approximately 2 basis points to its Core Tier 1 ratio in the third quarter of 2013.

On 24 September 2013, the shareholders of Telco entered into an amendment agreement with respect to the related shareholders' agreement for the purposes of recapitalising and refinancing of the company. Without prejudice to its expiration date of 28 February 2015, the agreement provides for two phases. With the first, already completed in September, Telefonica subscribed to a share capital increase of Telco for an overall amount of 324 million euro, with payment in cash, on the basis of a valuation of the Telco shareholding in Telecom Italia equal to Euro 1.09 per share. For the purposes of such share capital increase, the company issued exclusively Class C shares without voting rights, which may be converted by Telefonica starting from 1 January 2014 - subject to obtainment of all regulatory and anti-trust authorisations – in voting shares belonging to the same class of shares already owned by Telefonica (Class B shares). Telco used the proceeds from the share capital increase in order to immediately repay, for the same amount, the bank debt due in November 2013

Telco’s outstanding bank debt will be entirely refinanced up to maximum 700 million euro by Mediobanca and Intesa Sanpaolo in the same portion, through a new loan at market conditions.

Following the entire subscription of the share capital increase by Telefonica, Telco's share capital will be allocated as follows: Generali Group: 19.32% of share capital and 30.6% of voting shares; Intesa Sanpaolo: 7.34% of share capital and 11.6% of voting shares; Mediobanca: 7.34% of share capital and 11.6% of voting shares; Telefonica: 66% of share capital and 46.2% of voting shares.

Until the possible conversion into voting shares of the non-voting shares subscribed to by Telefonica, the governance rights of each of the parties will remain unchanged, as currently in force

Along with the share capital increase, Telefonica purchased from the Italian shareholders – at nominal value and pro quota – a portion of the bond issued by Telco, so that the quota of the bond owned by Telefonica after the purchase is equal to 70% of the entire amount, while the remaining 30% is allocated among Assicurazioni Generali (17%), Intesa Sanpaolo (6.5%) and Mediobanca (6.5%). The consideration paid by Telefonica consists of ordinary treasury shares listed on the Madrid stock exchange, valued at 10.86 euro each. After a lock-up period of 15 days, these shares may be transferrable on the market, within certain agreed daily limits.

For the second phase of the agreement, Telefonica undertook to subscribe to a further capital increase of Telco, through a cash payment of 117 million euro, by issuing shares without voting rights (Class C shares) and subject to the terms and conditions of the first capital increase. Following this second capital increase, subject to Telefonica obtaining all of regulatory and anti-trust authorisations, Telefonica's shareholding in Telco will rise to 70%, without any change in the governance rights. Conversely, the percentage held by ISP will fall to 6.47%.

Furthermore, from 1 January 2014, Telefonica shall have the right (call option) to purchase in cash all Telco’s shares owned by the Italian Shareholders, at a price determined on the basis of the valuation of Telco’s shares in Telecom Italia at the higher of 1.10 euro and the average closing price of Telecom Italia’s shares registered on the Milan stock exchange during the 30 (thirty) trading days preceding the exercise of the Call Option.

In case the Call Option is exercised, Telefonica shall be obliged to purchase, at a nominal value, all the outstanding bonds issued by Telco and owned by the Italian Shareholders at a price to be paid 50% in cash and, at Telefonica’s discretion, 50% in cash and/or Telefonica's shares at the lower of Telefonica's market price and the average closing price of Telecom Italia’s shares registered on the Milan stock exchange during the 30 (thirty) trading days preceding the exercise of the Call Option.

Lastly, the agreement envisages that each of Telco’s shareholders maintain the right to have Telecom Italia’s shares attributed directly, thus withdrawing from the shareholders agreement, by the demerger of Telco, to be requested during a first window between 15 and 30 June 2014 and a second window between 1 and 15 February 2015.

Following these agreements, in its Quarterly Report as at 31 July 2013, Telco wrote down its investment in Telecom, valuing it at 1.09 euro per share, equal to the value assigned for the capital increase. This resulted in a loss of 228 million euro in Telco's quarterly report as at 31 July 2013 (drawn up based on the IAS/IFRS).

The pro quota portion of this loss, equal to 28 million euro, was recorded in Intesa Sanpaolo’s consolidated interim report as at 30 September 2013. The overall impact of the Telco investment in the 2013 income statement was negative 24 million euro. The consolidated carrying amount as at 30 September 2013, which takes into account the pro quota portion of the loss and of Telco’s capital increase, was 65 million euro.

As regards the existing bond, Telefonica paid ISP a nominal value of 90 million euro (over a total of 203 million), plus 1.5 million euro in interest. Payment was made in Telefonica shares.

As to events after the end of the quarter, at the beginning of October, Intesa Sanpaolo’s Management Board approved the term sheet amending the agreements exiting between the company Carlo Tassara S.p.A. and the lending banks as part of a restructuring plan. This transaction should enable the company to better enhance the assets to be sold, the proceeds of which will be used to repay its financial debt. The key points of the term sheet are as follows:

– extension to 31 December 2016 of the final expiry date of the existing agreements;
– amendment to the corporate governance setting the number of the Board of Directors at nine, with six directors qualifying as independent;
– use of loans of lending banks to subscribe to participatory debt financial instruments (PFIs) for an overall amount of 650 million euro. These PFIs, freely tradable once the restructuring plan expires, shall not have a maturity date, and shall have a priority over any classes of shares with respect to distribution of net income and reserves, as well as in case of liquidation of Carlo Tassara;
– commitment of the lending banks to subscribe to additional PFIs by drawing proportionally on their loans to the company if, in the course of the plan, material losses occur pursuant to article 2447 of the Italian Civil Code;
– commitment of the lending banks to convert into PFIs any loans granted to the company, which may remain outstanding once all the assets under disposal belonging to Carlo Tassara have been sold;
– business continuity of Carlo Tassara, which will be ensured by enterprises with historical links with the Valcamonica region.

Implementation of the operation contemplated by the term sheet is subject to approval by each of the lending banks.

With regard to the overall exposure towards Carlo Tassara, which at 30 September 2013 was classified among substandard loans and equal to approximately 1.1 billion euro, Intesa Sanpaolo recognised 430 million euro in value adjustments, considered suitable to cover the total credit exposure. As a result of the above-described term sheet, it is estimated that, upon approval of the restructuring plan by all lending banks, Intesa Sanpaolo will convert approximately 445 million euro in PFIs. Consequently, the Bank’s outstanding loans, to be repaid through the Carlo Tassara’s asset disposal plan, would be approximately 675 million euro. These amounts are indicative, since the exact amount of the loan portion to be converted shall be determined, as specified, on the day of execution, if any, of the amending agreements.

On 15 October, the Management Board of Intesa Sanpaolo resolved the following detailed action plan in favour of Alitalia: first, to subscribe to the company’s share capital increase for 26 million euro; then, to underwrite up to 50 million euro of any unsubscribed shares, once shares unsubscribed during the 30-day period for the exercise of option rights have been subscribed by shareholders after they have subscribed to all the newly issued shares pertaining to them, and by Poste Italiane, up to its 75 million euro underwriting commitment; lastly, to grant under the aforementioned underwriting commitment an advance of up to 50 million euro.
Therefore, Intesa Sanpaolo's maximum commitment to the Alitalia share capital increase is 76 million euro.
In relation to the losses sustained by Alitalia in the nine months of the year and the valuations made by the Company's Board of Directors, the carrying amount of the investment prior to the share capital increase was adjusted to 5 million euro in this quarterly report.

On 22 October, Intesa Sanpaolo launched a 1 billion eurobond issue targeted at international markets. It is a 10-year, fixed-rate issue under the Euro Medium Term Notes Programme of Intesa Sanpaolo. It is the first 10-year senior unsecured benchmark issue by a Eurozone peripheral bank since March 2010 (Intesa Sanpaolo 4.125% due 14 April 2020). The 4% coupon is payable in arrears on 30 October of each year. Considering its 99.161% re-offer price, the yield to maturity is 4.104% per annum. The total spread for the investor is equal to the mid swap rate + 203 basis points. The yield is essentially in line with that of the benchmark BTP March 2024. The bond is not offered to the Italian retail market; it is distributed to international institutional investors and financial institutions. It will be listed on the Luxembourg Stock Exchange and, as usual, traded Over-the-Counter.

On 29 October, Intesa Sanpaolo launched a senior bond issue for a total of 1.25 billion US dollars on the U.S. and Canadian markets, exclusively targeting professional investors. It is a fixed-rate bond under the U.S.$ Medium Term Notes Programme of Intesa Sanpaolo and will have a 5-year and two-month maturity. The coupon, payable semi-annually in arrears on every 15 January and 15 July of each year from and including 15 January 2014 up to the maturity date, is equal to 3.875% per annum. Considering its 99.981% re-offer price, the yield to maturity is 3.88% per annum and the total spread for the investor is equal to the yield of 5-year U.S. Treasury Bill plus 260 basis points per annum.

On 31 October, the participants of the RCS MediaGroup shareholders’ agreement, whose expiry was set for 14 March 2014, agreed not to renew the agreement, which was therefore terminated in advance on 30 October 2013.

Also on 31 October, at the conclusion of consultations conducted by the Directorship of the Pirelli & C. S.p.A. Shares' Shareholder Block Agreement, the members of the block agreement (Assicurazioni Generali S.p.A., Camfin S.p.A., Edizione S.r.l., Fondiaria-SAI S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) agreed to dissolve the agreement with effect from today, thus ahead of the expected dissolution date of 15 April 2014. From 31 October 2013, the members are therefore definitively and irrevocably freed of the commitments and obligations deriving from the block agreement.
On the same date, Camfin, Intesa Sanpaolo and Massimo Moratti (the latter in name and on behalf of C.M.C. and Istifid), members of the shareholder agreement regarding Prelios underwritten on 20 September 2013 (the “Agreement”), announce that they have consensually agreed to dissolve the Agreement ahead of schedule.
Also in this case, as of 31 October 2013, the members are therefore released from all commitments and obligations deriving from the agreement.

On 11 November, Intesa Sanpaolo completed the sale of approximately 21 million ordinary shares held in Assicurazioni Generali, corresponding to approximately 1.3% of the Company's share capital, at a price of 16.60 euro per ordinary share in an accelerated bookbuilt offering. The total value was approximately 348 million euro, representing a positive contribution to consolidated net income for Intesa Sanpaolo of approximately 63 million euro in the fourth quarter. Upon completion of this transaction, Intesa Sanpaolo sold the entire holding in Assicurazioni Generali as at 30 June 2013, recording for the fourth quarter a positive contribution to consolidated net income of approximately 82 million euro.

Forecast for the whole 2013

The signs of recovery already noted in the confidence surveys and in several European indicators should strengthen during the fourth quarter of the year. Widespread expectations indicate a moderate recovery in the continental economy, including Italy. Monetary policy will continue to maintain an accommodating attitude, with official rates stable and abundant liquidity. With the adjustment in U.S. monetary policy now postponed to 2014, even the upward pressure on medium and long-term rates should be limited. There is, however, strong uncertainty with regard to performance of the currency markets, with the Euro beginning fourth quarter on a strong note.
In 2013, the cycle is expected to recover in the CEE/SEE countries with ISP subsidiaries, particularly Hungary, Serbia and Romania, which are pulling out of the recession, while the economies of Slovenia and Croatia are still declining. However, a slowdown is expected in the CIS Countries (Russia and especially Ukraine), as well as in Egypt. The inflation rate is expected to decline in 2013 on 2012 in the CEE/SEE countries as well as in Russia, but to increase in Egypt. Given the moderate inflationary trends and weak domestic demand, monetary policies are expected to remain accommodating overall.
Activity in the Italian banking sector will still be impacted by the continued effects of the recessive macroeconomic scenario of recent years. Easing in the cost of funding is expected to continue, while the high credit risk will continue to weigh on lending rates. The incessant surfacing of non-performing loans will continue to make offering policies more conservative, making the prospects for year-end improvement in the trend of customer loans uncertain. In terms of funding, growth in household deposits is expected to continue.

In the fourth quarter of 2013, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Attention will be focused on profitability targets, as well as on continued actions aimed at strengthening the capital base and further improving the profile of risk and liquidity.
The Group's efficiency and productivity will be constantly addressed. Repricing actions will make it possible to partially limit the impact of an expected negative environment on market rates. Strict cost containment actions will counteract the effects of automatic pay increases and inflation. The cost of credit will remain at a high level.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets	30.09.2013	31.12.2012	Changes amount	Changes %
Financial assets held for trading	53,337	63,546	-10,209	-16.1
of which: Insurance Companies	*754*	*1,125*	*-371*	*-33.0*
Financial assets designated at fair value through profit and loss	37,636	36,887	749	2.0
of which: Insurance Companies	*36,541*	*35,748*	*793*	*2.2*
Financial assets available for sale	102,969	97,209	5,760	5.9
of which: Insurance Companies	*46,526*	*43,527*	*2,999*	*6.9*
Investments held to maturity	2,120	2,148	-28	-1.3
Due from banks	32,891	36,533	-3,642	-10.0
Loans to customers	349,671	376,625	-26,954	-7.2
Investments in associates and companies subject to joint control	2,682	2,706	-24	-0.9
Property, equipment and intangible assets	19,782	20,249	-467	-2.3
Tax assets	13,691	12,673	1,018	8.0
Non-current assets held for sale and discontinued operations	26	25	1	4.0
Other assets	24,963	24,981	-18	-0.1
Total Assets	**639,768**	**673,582**	**-33,814**	**-5.0**

Liabilities and Shareholders' Equity	30.09.2013	31.12.2012	Changes amount	Changes %
Due to banks	64,993	73,352	-8,359	-11.4
Due to customers and securities issued	359,589	377,358	-17,769	-4.7
of which: Insurance Companies	*558*	*68*	*490*	
Financial liabilities held for trading	40,517	52,195	-11,678	-22.4
of which: Insurance Companies	*73*	*79*	*-6*	*-7.6*
Financial liabilities designated at fair value through profit and loss	30,027	27,047	2,980	11.0
of which: Insurance Companies	*30,016*	*27,038*	*2,978*	*11.0*
Tax liabilities	3,594	3,494	100	2.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	27,574	30,617	-3,043	-9.9
Technical reserves	59,088	54,660	4,428	8.1
Allowances for specific purpose	4,319	4,953	-634	-12.8
Share capital	8,546	8,546	-	-
Reserves	41,600	40,861	739	1.8
Valuation reserves	-1,305	-1,692	-387	-22.9
Minority interests	586	586	-	-
Net income (loss)	640	1,605	-965	-60.1
Total Liabilities and Shareholders' Equity	**639,768**	**673,582**	**-33,814**	**-5.0**

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

Quarterly development of the consolidated balance sheet

(millions of euro)

Assets	2013			2012			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	53,337	55,905	61,556	63,546	70,034	66,080	60,328
of which: Insurance Companies	*754*	*1,006*	*953*	*1,125*	*1,102*	*1,257*	*1,331*
Financial assets designated at fair value through profit and loss	37,636	37,042	36,747	36,887	36,546	37,842	35,971
of which: Insurance Companies	*36,541*	*35,947*	*35,722*	*35,748*	*35,486*	*36,763*	*35,015*
Financial assets available for sale	102,969	103,944	97,030	97,209	88,317	88,408	85,224
of which: Insurance Companies	*46,526*	*45,097*	*42,454*	*43,527*	*41,709*	*41,082*	*40,623*
Investments held to maturity	2,120	2,140	2,150	2,148	2,224	2,222	2,266
Due from banks	32,891	31,570	38,569	36,533	36,580	35,826	32,431
Loans to customers	349,671	358,404	371,561	376,625	375,037	375,183	378,280
Investments in associates and companies subject to joint control	2,682	2,710	2,716	2,706	2,794	2,795	2,672
Property, equipment and intangible assets	19,782	19,914	20,052	20,249	20,257	20,360	20,484
Tax assets	13,691	13,508	12,661	12,673	12,873	13,382	12,406
Non-current assets held for sale and discontinued operations	26	26	25	25	28	27	26
Other assets	24,963	22,622	24,040	24,981	24,314	24,613	22,860
Total Assets	**639,768**	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

Liabilities and Shareholders' Equity	2013			2012			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	64,993	67,522	72,775	73,352	74,787	83,831	75,958
Due to customers and securities issued	359,589	368,419	375,956	377,358	373,471	365,667	368,685
of which: Insurance Companies	*558*	*81*	*132*	*68*	*106*	*117*	*343*
Financial liabilities held for trading	40,517	44,353	49,736	52,195	55,779	54,921	47,907
of which: Insurance Companies	*73*	*85*	*93*	*79*	*68*	*26*	*23*
Financial liabilities designated at fair value through profit and loss	30,027	29,257	28,130	27,047	26,278	24,854	24,496
of which: Insurance Companies	*30,016*	*29,246*	*28,120*	*27,038*	*25,938*	*24,417*	*23,637*
Tax liabilities	3,594	2,983	3,979	3,494	3,297	2,936	3,154
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
Other liabilities	27,574	24,564	26,207	30,617	27,410	28,812	24,641
Technical reserves	59,088	56,633	55,552	54,660	53,468	52,310	53,023
Allowances for specific purpose	4,319	4,404	4,825	4,953	4,865	4,895	5,149
Share capital	8,546	8,546	8,546	8,546	8,546	8,546	8,546
Reserves	41,600	41,563	42,419	40,861	40,906	40,882	41,800
Valuation reserves	-1,305	-1,443	-1,894	-1,692	-2,158	-2,862	-1,953
Minority interests	586	562	570	586	667	672	738
Net income (loss)	640	422	306	1,605	1,688	1,274	804
Total Liabilities and Shareholders' Equity	**639,768**	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

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

Consolidated income statement

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Net interest income	6,094	7,249	-1,155	-15.9
Dividends and profits (losses) on investments carried at equity	-47	28	-75	
Net fee and commission income	4,524	3,972	552	13.9
Profits (Losses) on trading	1,091	1,500	-409	-27.3
Income from insurance business	653	669	-16	-2.4
Other operating income (expenses)	36	-31	67	
Operating income	**12,351**	**13,387**	**-1,036**	**-7.7**
Personnel expenses	-3,626	-4,004	-378	-9.4
Other administrative expenses	-2,017	-2,140	-123	-5.7
Adjustments to property, equipment and intangible assets	-507	-472	35	7.4
Operating costs	**-6,150**	**-6,616**	**-466**	**-7.0**
Operating margin	**6,201**	**6,771**	**-570**	**-8.4**
Net provisions for risks and charges	-65	-140	-75	-53.6
Net adjustments to loans	-4,031	-3,253	778	23.9
Net impairment losses on other assets	-247	-141	106	75.2
Profits (Losses) on investments held to maturity and on other investments	-33	-13	20	
Income (Loss) before tax from continuing operations	**1,825**	**3,224**	**-1,399**	**-43.4**
Taxes on income from continuing operations	-902	-1,232	-330	-26.8
Charges (net of tax) for integration and exit incentives	-38	-35	3	8.6
Effect of purchase price allocation (net of tax)	-219	-220	-1	-0.5
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-26	-49	-23	-46.9
Net income (loss)	**640**	**1,688**	**-1,048**	**-62.1**
Basic EPS - euro	**0.04**	**0.10**		
Diluted EPS - euro	**0.04**	**0.10**		

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

Quarterly development of the consolidated income statement

(millions of euro)

	2013			2012			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,031	2,041	2,022	2,181	2,317	2,431	2,501
Dividends and profits (losses) on investments carried at equity	-6	2	-43	11	-27	29	26
Net fee and commission income	1,483	1,575	1,466	1,479	1,333	1,322	1,317
Profits (Losses) on trading	401	235	455	682	623	161	716
Income from insurance business	204	218	231	159	216	195	258
Other operating income (expenses)	33	15	-12	-18	-19	-7	-5
Operating income	**4,146**	**4,086**	**4,119**	**4,494**	**4,443**	**4,131**	**4,813**
Personnel expenses	-1,204	-1,156	-1,266	-1,334	-1,295	-1,353	-1,356
Other administrative expenses	-666	-688	-663	-781	-711	-735	-694
Adjustments to property, equipment and intangible assets	-171	-169	-167	-182	-160	-155	-157
Operating costs	**-2,041**	**-2,013**	**-2,096**	**-2,297**	**-2,166**	**-2,243**	**-2,207**
Operating margin	**2,105**	**2,073**	**2,023**	**2,197**	**2,277**	**1,888**	**2,606**
Net provisions for risks and charges	-1	-38	-26	-105	-69	-34	-37
Net adjustments to loans	-1,467	-1,398	-1,166	-1,461	-1,198	-1,082	-973
Net impairment losses on other assets	-32	-147	-68	-141	-43	-39	-59
Profits (Losses) on investments held to maturity and on other investments	-35	-3	5	-104	-5	-2	-6
Income (Loss) before tax from continuing operations	**570**	**487**	**768**	**386**	**962**	**731**	**1,531**
Taxes on income from continuing operations	-264	-274	-364	-291	-454	-152	-626
Charges (net of tax) for integration and exit incentives	-5	-21	-12	-99	-11	-10	-14
Effect of purchase price allocation (net of tax)	-72	-73	-74	-79	-71	-76	-73
Goodwill impairment (net of tax)	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-
Minority interests	-11	-3	-12	-	-12	-23	-14
Net income (loss)	**218**	**116**	**306**	**-83**	**414**	**470**	**804**

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

REPORT ON OPERATIONS

Economic results

As noted in the illustration of the macroeconomic scenario, the first nine months of 2013 were marked by the continuing unfavourable economic context, which began to stabilise in the third quarter. In the still uncertain Italian context, in which industrial production continued to decline and tensions on the labour market remained, the results of the Intesa Sanpaolo Group suffered the effects of the crisis, with a decrease in operating income, especially due to the negative performance of the interest margin, and an increase in net adjustments to loans and to other assets. These phenomena resulted in an 8.4% decline in the operating margin in the first nine months of 2013, despite the positive development in fee and commission income and operating cost containment. Net income came to 640 million euro, significantly lower than the 1,688 million euro recorded for the same period of the previous year. Comparison with the quarterly figures shows an improving trend, with net income of 218 million euro in the third quarter, up compared to 116 million euro achieved in the second quarter.

Operating income

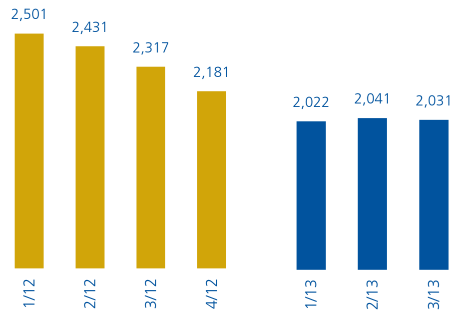
Operating income amounted to 12,351 million euro in the first nine months, down 7.7% compared to 13,387 million euro in the same period of 2012. The trend emerging from comparison was mainly determined by the decrease in net interest income and the result from trading, only partly mitigated by the increase in fee and commission income.
Revenues in the third quarter of 2013 were up by 1.5% compared to the second quarter, essentially owing to profits on trading.

Net interest income

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Relations with customers	7,166	8,514	-1,348	-15.8
Securities issued	-3,997	-4,311	-314	-7.3
Differentials on hedging derivatives	1,111	1,245	-134	-10.8
Customer dealing	**4,280**	**5,448**	**-1,168**	**-21.4**
Financial assets held for trading	271	377	-106	-28.1
Investments held to maturity	60	68	-8	-11.8
Financial assets available for sale	880	884	-4	-0.5
Financial assets	**1,211**	**1,329**	**-118**	**-8.9**
Relations with banks	**-195**	**-177**	**18**	**10.2**
Non-performing assets	**831**	**703**	**128**	**18.2**
Other net interest income	**-33**	**-54**	**-21**	**-38.9**
Net interest income	**6,094**	**7,249**	**-1,155**	**-15.9**

Quarterly development
Net interest income



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

In the first nine months of 2013, the net interest income stood at 6,094 million euro, down 15.9% compared to the same period in 2012 as a result of the lower contribution from customer dealing, the cost of liquidity reserves and lower interest on the securities portfolio.
Net interest from customer dealing amounted to 4,280 million euro, down 21.4% on the same period of the previous year due to the drastic decline in deposit spreads (mark-downs), the reduction of lending and deposit collection volumes and the growth in non-performing loans. The overall change was positively influenced by the reduction in interest expense on securities issued, and negatively impacted by lower differentials on hedging derivatives.
Interest on financial assets also fell (-8.9%) compared to the first nine months of 2012, particularly as a result of the decrease in interest from financial assets held for trading (-106 million euro). Conversely, the margin from non-performing assets increased by 18.2% (+128 million euro).
Net interest on the interbank market reported a negative balance of 195 million euro, up on the negative balance of 177 million euro for the first nine months of the previous year. The higher costs are attributable to the shift in the composition of deposits and loans and to extended maturities on funding.

(millions of euro)

	2013			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Relations with customers	2,402	2,369	2,395	1.4	-1.1
Securities issued	-1,293	-1,338	-1,366	-3.4	-2.0
Differentials on hedging derivatives	305	395	411	-22.8	-3.9
Customer dealing	**1,414**	**1,426**	**1,440**	**-0.8**	**-1.0**
Financial assets held for trading	93	85	93	9.4	-8.6
Investments held to maturity	20	20	20	-	-
Financial assets available for sale	291	294	295	-1.0	-0.3
Financial assets	**404**	**399**	**408**	**1.3**	**-2.2**
Relations with banks	**-60**	**-61**	**-74**	**-1.6**	**-17.6**
Non-performing assets	**282**	**289**	**260**	**-2.4**	**11.2**
Other net interest income	**-9**	**-12**	**-12**	**-25.0**	**-**
Net interest income	**2,031**	**2,041**	**2,022**	**-0.5**	**0.9**

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

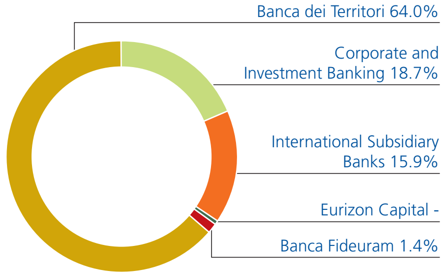
The interest margin for the third quarter recorded a slight decrease (-0.5%) on the second quarter, mainly due to the reduction in differentials on hedging derivatives.

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Banca dei Territori	4,687	4,870	-183	-3.8
Corporate and Investment Banking	1,371	1,330	41	3.1
International Subsidiary Banks	1,162	1,224	-62	-5.1
Eurizon Capital	1	2	-1	-50.0
Banca Fideuram	99	113	-14	-12.4
Total business areas	**7,320**	**7,539**	**-219**	**-2.9**
Corporate Centre	-1,226	-290	936	
Intesa Sanpaolo Group	**6,094**	**7,249**	**-1,155**	**-15.9**

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

Business areas



With regard to business areas, all Business Units, except Corporate and Investment Banking, experienced a declining trend in the interest margin. In detail, Banca dei Territori, which accounts for 64% of business area results, recorded a 3.8% decline in net interest income, due to the lower margins on deposits notwithstanding the greater contribution from loans to customers. Corporate and Investment Banking recorded a 3.1% increase attributable to the positive development in the mark-up, the expansion of average direct deposits volumes and the higher net investment result recorded in the capital markets segment of Banca IMI. Net interest income was down for the International Subsidiary Banks (-5.1%), as a result of the erosion of the margins on deposits, only partly offset by the stronger contribution of loans to customers, as well as for Banca Fideuram (-12.4%), as a result of the downtrend in interest rates and the lesser flexibility of the cost of funding.

Dividends and profits on investments carried at equity

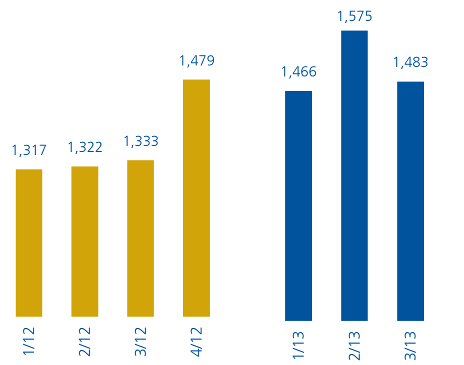
In the first nine months of 2013, share dividends and profits on investments carried at equity – based on the latest figures made public – recorded a loss of 47 million euro, attributable to the negative result of certain associates consolidated using the equity method and mostly operating in the transport, real estate and hotels segment. The item showed a decrease compared to the 28 million euro in profits reported in the same period of the previous year. Note that this caption refers only to dividends of companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Guarantees given / received	218	220	-2	-0.9
Collection and payment services	242	247	-5	-2.0
Current accounts	854	744	110	14.8
Credit and debit cards	358	345	13	3.8
Commercial banking activities	**1,672**	**1,556**	**116**	**7.5**
Dealing and placement of securities	353	325	28	8.6
Currency dealing	32	35	-3	-8.6
Portfolio management	1,041	831	210	25.3
Distribution of insurance products	597	447	150	33.6
Other	121	87	34	39.1
Management, dealing and consultancy activities	**2,144**	**1,725**	**419**	**24.3**
Other net fee and commission income	**708**	**691**	**17**	**2.5**
Net fee and commission income	**4,524**	**3,972**	**552**	**13.9**

Quarterly development
Net fee and commission income



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

Net fee and commission income, which makes up over one-third of operating income, for the first nine months came to 4,524 million euro, up 13.9% compared to the same period in 2012.
Fees and commissions on commercial banking activities increased by 7.5%. The positive performance of fees and commissions on current accounts (+14.8%) was driven by fees and commissions on account credit facilities, which from the second quarter of 2012 have gradually extended to the self-liquidating forms of commercial credit lines. Fee and commission income on debit and credit cards (+3.8%) also increased, whilst a moderate decrease was seen in the fee and commission income on collection and payment services (-2%) and on guarantees given (-0.9%).
Overall, a strong contribution from management, dealing and consultancy activities generated net fee and commission income of 2,144 million euro, up 419 million euro (+24.3%) compared to the first nine months of 2012. Contributing to this trend were fee and commission income on asset management (+210 million euro), particularly on collective and individual portfolio management, the distribution of insurance products (+150 million euro) sustained by the significant increase in new business, on dealing and placement (+28 million euro) and other management and dealing commissions (+34 million euro).
Other net fee and commission income recorded an increase of 17 million euro compared to the figures for the first nine months of the previous year, amounting to 708 million euro.

(millions of euro)

	2013			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Guarantees given / received	69	61	88	13.1	-30.7
Collection and payment services	88	84	70	4.8	20.0
Current accounts	288	286	280	0.7	2.1
Credit and debit cards	125	122	111	2.5	9.9
Commercial banking activities	**570**	**553**	**549**	**3.1**	**0.7**
Dealing and placement of securities	97	119	137	-18.5	-13.1
Currency dealing	11	11	10	-	10.0
Portfolio management	349	391	301	-10.7	29.9
Distribution of insurance products	202	211	184	-4.3	14.7
Other	41	44	36	-6.8	22.2
Management, dealing and consultancy activities	**700**	**776**	**668**	**-9.8**	**16.2**
Other net fee and commission income	**213**	**246**	**249**	**-13.4**	**-1.2**
Net fee and commission income	**1,483**	**1,575**	**1,466**	**-5.8**	**7.4**

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

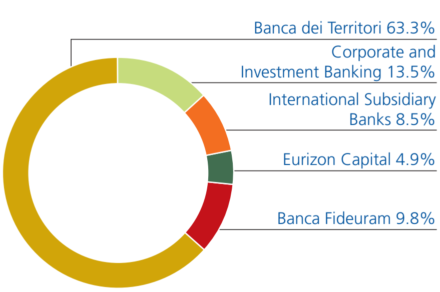
Compared to that of the second quarter of 2013, net fee and commission income in the third quarter reported a decline (-5.8%, equal to 92 million euro), also due to the usual slowdown in operations that marks the summer season. The change is due to the fall in fees and commissions on management, dealing and consultancy activities (-76 million euro), particularly those relating to portfolio management (-42 million euro), and other net fee and commission income (-33 million euro), specifically those relating to the granting of loans to businesses. These decreases were only partially attenuated by the development of fees and commissions on commercial banking activities (+3.1%, equal to 17 million euro), as a result of the trend in guarantees given (+8 million euro) and collection and payment services (+4 million euro).

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Banca dei Territori	3,018	2,581	437	16.9
Corporate and Investment Banking	645	611	34	5.6
International Subsidiary Banks	404	401	3	0.7
Eurizon Capital	233	183	50	27.3
Banca Fideuram	469	413	56	13.6
Total business areas	**4,769**	**4,189**	**580**	**13.8**
Corporate Centre	-245	-217	28	12.9
Intesa Sanpaolo Group	**4,524**	**3,972**	**552**	**13.9**

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

Business areas



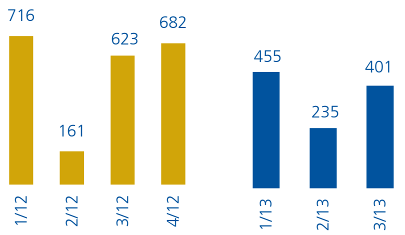
With regard to business areas, all Business Units recorded an increase in net fee and commission income. Banca dei Territori, which represents 63% of fee and commission income from the business units, recorded the most significant positive contribution in absolute terms (+16.9%). In particular, increases were recorded in net fees and commissions on asset management and bancassurance products, on current accounts (including fee and commission income on credit facilities) and on placements. Though more limited in absolute terms, the following have recorded an increase: Eurizon Capital (+27.3%), which benefited from the performance of average assets under management and from the improved product mix, which yielded significant inflows to higher-margin mutual funds, Banca Fideuram (+13.6%), mainly due to recurring fee and commission income from growth in the average assets under management, and Corporate and Investment Banking (+5.6%) as a result of the good performance of investment banking and transaction banking. Net fee and commission income of the International Subsidiary Banks were essentially stable (+0.7%).

Profits (Losses) on trading

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Interest rates	304	451	-147	-32.6
Equity instruments	109	63	46	73.0
Currencies	114	108	6	5.6
Structured credit products	76	75	1	1.3
Credit derivatives	-9	-82	-73	-89.0
Commodity derivatives	20	16	4	25.0
Trading result	**614**	**631**	**-17**	**-2.7**
Trading on AFS securities and financial liabilities	**477**	**869**	**-392**	**-45.1**
Profits (Losses) on trading	**1,091**	**1,500**	**-409**	**-27.3**

Quarterly development Profits (losses) on trading



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

Profits on trading in the first nine months of 2013 amounted to 1,091 million euro, compared to 1,500 million euro reported in the same period of the previous year. In the third quarter, non-recurring income was recorded totalling 193 million euro, relating to two transactions in Group debt securities: the first, finalised in July, involved senior note buy-backs with a pre-tax benefit of 106 million euro; the second is an exchange of subordinated notes concluded in September, obtaining income gross of taxes of 87 million euro. The figure for the first nine months of 2012 had benefited from greater non-recurring income deriving from the buy-back of own securities, equal to 601 million euro. Excluding those extraordinary items, profits on trading would be substantially unchanged compared to the same period of the previous year.

The negative trend is attributable to the drop in trading on AFS securities and financial liabilities (-392 million euro), which include the previously mentioned capital gains and, to a lesser extent, to the trading result (-17 million euro). The latter was affected by the decline in interest rate transactions (-147 million euro) and credit derivative transactions (-73 million euro), which should be considered jointly, as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. A positive contribution was made, albeit not sufficient to offset the decline in other items, by equity instruments (+46 million euro), while currencies, structured credit products and commodity derivatives showed marginal changes.

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

(millions of euro)

	2013			Changes %	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Interest rates	137	92	75	48.9	22.7
Equity instruments	-40	41	108		-62.0
Currencies	62	39	13	59.0	
Structured credit products	9	37	30	-75.7	23.3
Credit derivatives	7	-12	-4		
Commodity derivatives	10	6	4	66.7	50.0
Trading result	**185**	**203**	**226**	**-8.9**	**-10.2**
Trading on AFS securities and financial liabilities	**216**	**32**	**229**		**-86.0**
Profits (Losses) on trading	**401**	**235**	**455**	**70.6**	**-48.4**

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

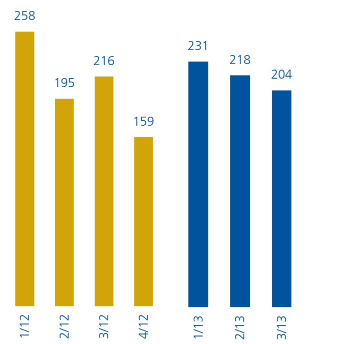
The quarterly analysis shows a trading result in the third quarter of 2013 70.6% higher than in the second quarter, due to the extraordinary income from the buy-back and exchange of own securities. Moreover, the result for the second quarter was affected by the prevailing uncertainty on financial markets, which was reflected in an expansion in risk premiums in June.

Income from insurance business

(millions of euro)

Captions (a)	**30.09.2013**			**30.09.2012**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**29**	**30**	**59**	**33**	**16**	**49**	**10**	**20.4**
Net insurance premiums (b)	8,243	153	8,396	4,018	119	4,137	4,259	
Net charges for insurance claims and surrenders (c)	-4,915	-70	-4,985	-5,639	-56	-5,695	-710	-12.5
Net charges for changes in technical reserves (d)	-4,321	-	-4,321	75	-	75	-4,396	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,236	-	1,236	1,689	-	1,689	-453	-26.8
Net fees on investment contracts (f)	101	-	101	100	-	100	1	1.0
Commission expenses on insurance contracts (g)	-299	-42	-341	-208	-47	-255	86	33.7
Other technical income and expense (h)	-16	-11	-27	-2	-	-2	25	
Net investment result	**579**	**15**	**594**	**606**	**14**	**620**	**-26**	**-4.2**
Operating income from investments	2,527	15	2,542	4,194	14	4,208	-1,666	-39.6
Net interest income	*1,714*	*12*	*1,726*	*1,689*	*10*	*1,699*	*27*	*1.6*
Dividends	*81*	*1*	*82*	*76*	*1*	*77*	*5*	*6.5*
Gains/losses on disposal	*1,024*	*2*	*1,026*	*583*	*3*	*586*	*440*	*75.1*
Valuation gains/losses	*-255*	-	*-255*	*2,073*	-	*2,073*	*-2,328*	
Portfolio management fees paid (i)	*-122*	-	*-122*	*-122*	-	*-122*	-	-
Profit/loss pertaining to third party underwriters of mutual funds (j)	*85*	-	*85*	*-105*	-	*-105*	*190*	
Gains (losses) on investments pertaining to insured parties	-1,948	-	-1,948	-3,588	-	-3,588	-1,640	-45.7
Insurance products (k)	*-1,181*	-	*-1,181*	*-1,482*	-	*-1,482*	*-301*	*-20.3*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-55*	-	*-55*	*-207*	-	*-207*	*-152*	*-73.4*
Investment products (m)	*-712*	-	*-712*	*-1,899*	-	*-1,899*	*-1,187*	*-62.5*
Income from insurance business	**608**	**45**	**653**	**639**	**30**	**669**	**-16**	**-2.4**

Quarterly development
Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the first nine months of 2013, income from insurance business, which, as previously specified, includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 653 million euro, down 2.4% on the same period of the previous year. The performance of this segment, which may be considered substantially stable overall, is the result of a slight worsening in the life business, also deriving from the diverging performances of the Group's insurance companies and an improvement in the non-life business, which, however, is significantly lower. The life business recorded a decrease in the net investment result compared to the first nine months of 2012. This was attributable to the valuation component of the portfolios, which downsized the operating income from investments, despite the higher realised gains originating from a more intense trading activity by the insurance companies. The technical margin decreased by 4 million euro, attributable to the combined effect of an expansion in net premiums, a decrease in charges for insurance claims and surrenders and the lower income from investments pertaining to insured parties, on the one hand, and to an increase in charges due to the change in technical insurance reserves and commission expenses on the other. The decline in the result pertaining to insured parties, which follows the shadow accounting principle, is mainly a consequence of the drop in profit from investment products.
Income from non-life business grew by 15 million euro, attributable to the increase in net insurance premiums which more than absorbed the increase in charges for insurance claims and surrenders and the increase in other technical income and charges. The increased profit is associated with the good performance of the products marketed, particularly "Viaggia con Me", the post-2010 CPIs (Creditor Protection Insurance) and "Casa".

(millions of euro)

Captions (a)	**2013**			**Changes**	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Technical margin	**12**	**14**	**33**	**-14.3**	**-57.6**
Net insurance premiums (b)	3,547	2,409	2,440	47.2	-1.3
Net charges for insurance claims and surrenders (c)	-1,579	-1,799	-1,607	-12.2	11.9
Net charges for changes in technical reserves (d)	-2,289	-828	-1,204		-31.2
Gains (losses) on investments pertaining to insured parties on insurance products (e)	417	314	505	32.8	-37.8
Net fees on investment contracts (f)	34	33	34	3.0	-2.9
Commission expenses on insurance contracts (g)	-115	-117	-109	-1.7	7.3
Other technical income and expense (h)	-3	2	-26		
Net investment result	**192**	**204**	**198**	**-5.9**	**3.0**
Operating income from investments	1,158	183	1,201		-84.8
Net interest income	*604*	*570*	*552*	*6.0*	*3.3*
Dividends	*25*	*42*	*15*	*-40.5*	
Gains/losses on disposal	*174*	*356*	*496*	*-51.1*	*-28.2*
Valuation gains/losses	*357*	*-766*	*154*		
Portfolio management fees paid (i)	*-43*	*-37*	*-42*	*16.2*	*-11.9*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*41*	*18*	*26*		*-30.8*
Gains (losses) on investments pertaining to insured parties	-966	21	-1,003		
Insurance products (k)	*-424*	*-308*	*-449*	*37.7*	*-31.4*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*7*	*-6*	*-56*		*-89.3*
Investment products (m)	*-549*	*335*	*-498*		
Income from insurance business	**204**	**218**	**231**	**-6.4**	**-5.6**

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

For notes, see the previous table.

Income from insurance business in the third quarter of 2013, including the life and non-life segments, recorded a decrease of 14 million euro compared to the second quarter of the year, mainly as a result of the drop in the net investment result.

(millions of euro)

	30.09.2013				**30.09.2012**
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**189**	**8,055**	**8,244**	***8,055***	**4,019**
Premiums issued on traditional products	157	7,935	8,092	*7,935*	3,835
Premiums issued on unit-linked products	14	25	39	*25*	38
Premiums issued on capitalisation products	-	2	2	*2*	1
Premiums issued on pension funds	18	93	111	*93*	145
Non-life insurance business	**34**	**124**	**158**	*53*	**123**
Premiums issued	32	149	181	*124*	162
Change in premium reserves	2	-25	-23	*-71*	-39
Premiums ceded to reinsurers	**-2**	**-4**	**-6**	*-2*	**-5**
Net premiums from insurance products	**221**	**8,175**	**8,396**	***8,106***	**4,137**
Business on index-linked contracts	-	-	-	-	1
Business on unit-linked contracts	115	6,109	6,224	*6,117*	4,861
Total business from investment contracts	**115**	**6,109**	**6,224**	***6,117***	**4,862**
Total business	**336**	**14,284**	**14,620**	***14,223***	**8,999**

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

Business in the insurance segment reached a total of 14,620 million euro in premiums in the first nine months, compared to total inflows of 8,999 million euro in the first nine months of the previous year. The increase is largely due to premiums issued against traditional life policies and to new unit-linked contract business.
New business totalled 14,223 million euro with a balance between traditional and unit-linked products.

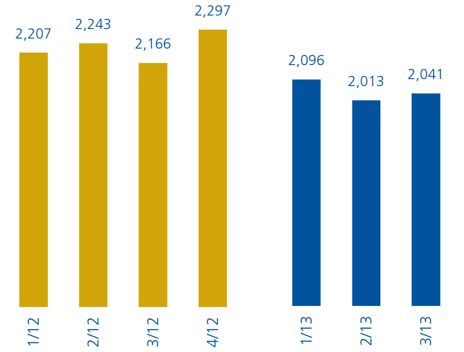
Other operating income (expenses)
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first nine months of 2013 this caption showed a gain of 36 million euro, compared to the 31 million euro loss recorded in the corresponding period in 2012. This figure includes charges associated with contributions from the "Deposit Protection Funds" of the foreign Banks.

Operating costs

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Wages and salaries	2,572	2,832	-260	-9.2
Social security charges	655	710	-55	-7.7
Other	399	462	-63	-13.6
Personnel expenses	**3,626**	**4,004**	**-378**	**-9.4**
Information technology expenses	479	495	-16	-3.2
Management of real estate assets expenses	513	559	-46	-8.2
General structure costs	310	330	-20	-6.1
Professional and legal expenses	238	230	8	3.5
Advertising and promotional expenses	78	90	-12	-13.3
Indirect personnel costs	61	88	-27	-30.7
Other costs	237	266	-29	-10.9
Indirect taxes and duties	640	526	114	21.7
Recovery of expenses and charges	-539	-444	95	21.4
Administrative expenses	**2,017**	**2,140**	**-123**	**-5.7**
Property and equipment	273	271	2	0.7
Intangible assets	234	201	33	16.4
Adjustments	**507**	**472**	**35**	**7.4**
Operating costs	**6,150**	**6,616**	**-466**	**-7.0**

Quarterly development
Operating costs



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

Operating costs recorded a particularly virtuous trend in the first nine months of 2013, reaching 6,150 million euro, down 7% on the figure recorded in the same period of the previous year.
Personnel expenses decreased by 9.4% to 3,626 million euro. This trend is due to the persistently difficult economic scenario and the resulting overall cost containment policy adopted by the Group as regards personnel expenses. This was also the result of a significant decrease in the number of employees, including exit incentives for personnel close to pension age.
Administrative expenses came to 2,017 million euro, down 5.7% compared to the first nine months of 2012: contributing to this performance were primarily management of real estate assets expenses (-46 million euro), other costs (-29 million euro), particularly those relating to services provided by third parties and industrial association contributions, indirect personnel costs (-27 million euro), general structure costs (-20 million euro), information technology expenses (-16 million euro) and advertising and promotional expenses (-12 million euro).
Amortisation and depreciation totalled 507 million euro, up 7.4% on the first nine months of the previous year. The increase focused on investments in the technologies and infrastructures considered most important for innovation.

The cost/income ratio for the period was 49.8%, up only slightly on the 49.4% recorded in the first nine months of 2012 due to the uneven drop in revenues compared to costs, but down compared to the 50.1% recorded in the first half of 2013.

(millions of euro)

	2013			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Wages and salaries	858	817	897	5.0	-8.9
Social security charges	215	209	231	2.9	-9.5
Other	131	130	138	0.8	-5.8
Personnel expenses	**1,204**	**1,156**	**1,266**	**4.2**	**-8.7**
Information technology expenses	158	162	159	-2.5	1.9
Management of real estate assets expenses	166	167	180	-0.6	-7.2
General structure costs	103	103	104	-	-1.0
Professional and legal expenses	81	85	72	-4.7	18.1
Advertising and promotional expenses	26	28	24	-7.1	16.7
Indirect personnel costs	17	24	20	-29.2	20.0
Other costs	85	76	76	11.8	-
Indirect taxes and duties	216	231	193	-6.5	19.7
Recovery of expenses and charges	-186	-188	-165	-1.1	13.9
Administrative expenses	**666**	**688**	**663**	**-3.2**	**3.8**
Property and equipment	89	92	92	-3.3	-
Intangible assets	82	77	75	6.5	2.7
Adjustments	**171**	**169**	**167**	**1.2**	**1.2**
Operating costs	**2,041**	**2,013**	**2,096**	**1.4**	**-4.0**

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

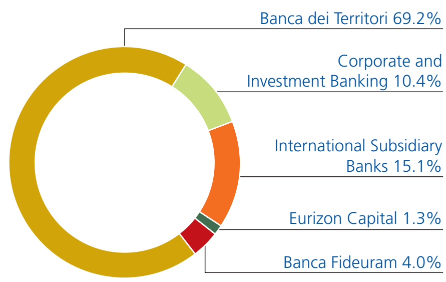
At the quarterly level, operating costs showed slight growth (+1.4%) in the third quarter compared to the previous quarter, reaching 2,041 million euro. This performance is mainly attributable to the increase in personnel expenses (+4.2%).

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Banca dei Territori	3,942	4,287	-345	-8.0
Corporate and Investment Banking	592	618	-26	-4.2
International Subsidiary Banks	861	870	-9	-1.0
Eurizon Capital	75	84	-9	-10.7
Banca Fideuram	229	255	-26	-10.2
Total business areas	**5,699**	**6,114**	**-415**	**-6.8**
Corporate Centre	451	502	-51	-10.2
Intesa Sanpaolo Group	**6,150**	**6,616**	**-466**	**-7.0**

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

Business areas



All Business Units contributed to the reduction in Group operating costs (-7%), and in particular Banca dei Territori (-8%), which accounts for almost 70% of business area costs, Corporate and Investment Banking (-4.2%), Eurizon Capital (-10.7%) and Banca Fideuram (-10.2%). Savings in these business areas were related to both personnel expenses and, to a lesser extent, other administrative expenses. Costs for the International Subsidiary Banks were also down compared to the first nine months of 2012 (-1%) as a result of the reduction in personnel expenses, which more than offset the increase in administrative expenses. The Corporate Centre reported a decrease (-10.2%).

Operating margin

The operating margin in the first nine months of 2013 was 6,201 million euro, down 8.4% on the same period of the previous year. This trend was generated by the decrease in revenues (-7.7%), not fully absorbed by the reduction in operating costs (-7%). On a quarterly basis, the operating margin in the third quarter increased compared to that in the second quarter (+1.5%).

Adjustments to/write-backs on assets

Net provisions for risks and charges

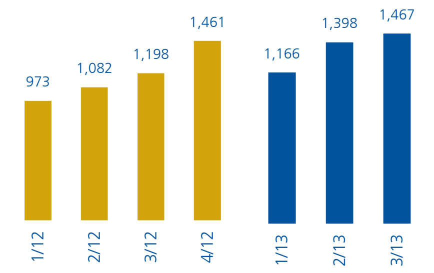
In the first nine months of 2013 net provisions for risks and charges stood at 65 million euro, most of which attributable to provisions for legal disputes. This figure compares with 140 million euro recorded in the same period of 2012.

Net adjustments to loans

(millions of euro)

	30.09.2013	30.09.2012	Changes	
			amount	%
Doubtful loans	-2,053	-1,465	588	40.1
Substandard loans	-1,506	-1,166	340	29.2
Restructured loans	-47	-227	-180	-79.3
Past due loans	-379	-328	51	15.5
Performing loans	-34	-37	-3	-8.1
Net losses/recoveries on impairment of loans	**-4,019**	**-3,223**	**796**	**24.7**
Net adjustments to/recoveries on guarantees and commitments	**-12**	**-30**	**-18**	**-60.0**
Net adjustments to loans	**-4,031**	**-3,253**	**778**	**23.9**

Quarterly development
Net adjustments to loans



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

The continued decline in the general economic situation is resulting in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans. This trend continued in the first nine months of 2013, with net adjustments to loans of 4,031 million euro, up on the same period in 2012 (+23.9%). Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans.
Doubtful loans required total net impairment losses of 2,053 million euro, a 40.1% increase compared to the first nine months of 2012, with an average coverage ratio of 61%. Net impairment losses on substandard loans, totalling 1,506 million euro, increased by 29.2% compared to the same period of the previous year, with a coverage ratio of 23.5%. Net impairment losses on past due loans also increased by 51 million euro compared to the first nine months of 2012 (+15.5%), whilst net impairment losses on restructured loans, of a limited value overall, decreased.
Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of approximately 0.8%.

(millions of euro)

	2013			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Doubtful loans	-766	-785	-502	-2.4	56.4
Substandard loans	-431	-563	-512	-23.4	10.0
Restructured loans	-30	-13	-4		
Past due loans	-154	-93	-132	65.6	-29.5
Performing loans	-60	55	-29		
Net losses/recoveries on impairment of loans	**-1,441**	**-1,399**	**-1,179**	**3.0**	**18.7**
Net adjustments to/recoveries on guarantees and commitments	**-26**	**1**	**13**		**-92.3**
Net adjustments to loans	**-1,467**	**-1,398**	**-1,166**	**4.9**	**19.9**

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

At the quarterly level, 1,467 million euro in adjustments in the third quarter are compared with 1,398 million euro in the second quarter, an increase of 4.9%, related to increases on performing loans, past due loans and restructured loans, only partially offset by a decrease in adjustments to substandard and doubtful loans.

Net impairment losses on other assets
Impairment losses on assets other than loans came to 247 million euro in the first nine months of 2013, mainly attributable to impairment on investments classified as available for sale (-148 million euro, mainly attributable to the Parent Company) and on overseas property (-56 million euro) owned by an international subsidiary following the recovery of outstanding receivables and, to a lesser extent, to impairment losses on securities held by the insurance companies. This figure compares to the 141 million euro in adjustments recorded in the same period of the previous year.

Profits (Losses) on investments held to maturity and on other investments
Losses on investments held to maturity, including investments subject to significant influence, and other investments came to 33 million euro. This figure compares to the 13 million euro loss reported in the same period of 2012.

Income before tax from continuing operations

Income before tax from continuing operations came to 1,825 million euro, down 43.4% compared to the first nine months of 2012. Income for the third quarter of 2013, amounting to 570 million euro, was up by 17% compared to the 487 million euro recorded in the second quarter of this year.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes came to 902 million euro, lower than the 1,232 million euro for the same period in 2012 due to reduction of the taxable base. The tax rate was 49.4%, higher than that of the first nine months of 2012 (38.2%), primarily in relation to the higher incidence of costs not deductible for IRAP purposes. It must also be noted that in 2012 taxes benefited from the "recovery" of the deduction of IRAP tax from IRES tax for 221 million euro in the income statement of the first half of that year.

Charges (net of tax) for integration and exit incentives

This caption amounted to 38 million euro, compared to 35 million euro reported for the first nine months of the previous year, the trend being essentially attributable to the expense resulting from the agreements on exit incentives.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges came to 219 million euro in the first nine months of 2013, essentially in line with the amount recorded for the same period in 2012.

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

No income components on discontinued operations were recorded either for the first nine months of 2013 or 2012.

Net income (loss)

The Group closed the first nine months of 2013 with a net income of 640 million euro, recording a decrease on that reported in the same period of 2012, particularly conditioned by the strong decrease in the interest margin and equally strong increase in the cost of credit.

Better than any others, the trend in these two captions mirrors the effects of the negative economic scenario on accounts, not only of the Group but of the Italian banking system as a whole.

The figure for the third quarter, amounting to 218 million euro, increased compared to the 116 million euro in the second quarter, mainly due to higher profits on trading and lower impairment losses on other assets, which offset the reduction in fee and commission income and the greater impact of net adjustments to loans.

Balance sheet aggregates

Intesa Sanpaolo's consolidated assets recorded a decrease of 33.8 billion euro in the first nine months of 2013 (5%). With regard to assets, there was a decrease in loans both to customers (-27 billion euro) – due to the recession that has weakened lending, especially to non-financial companies – and to banking counterparties (-3.6 billion euro), and a decrease in financial assets held for trading (-10.2 billion euro), only partly offset by the increase in financial assets available for sale (+5.8 billion euro). Among liabilities, there was a decline in amounts due to customers and in securities issued (-17.8 billion euro) and amounts due to banks (-8.4 billion euro), financial liabilities held for trading (-11.7 billion euro) and other liabilities (-3 billion euro), only partly offset by the increases in technical reserves (+4.4 billion euro) and financial liabilities designated at fair value through profit or loss (+3 billion euro), both attributable to the Group's insurance companies.

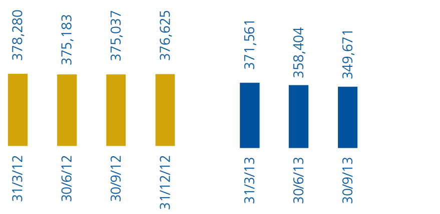
Loans to customers

(millions of euro)

	30.09.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	30,991	8.9	34,199	9.1	-3,208	-9.4
Mortgages	148,930	42.6	157,381	41.8	-8,451	-5.4
Advances and other loans	112,587	32.2	124,948	33.1	-12,361	-9.9
Commercial banking loans	**292,508**	**83.7**	**316,528**	**84.0**	**-24,020**	**-7.6**
Repurchase agreements	**10,980**	**3.1**	**14,911**	**4.0**	**-3,931**	**-26.4**
Loans represented by securities	**15,367**	**4.4**	**16,714**	**4.4**	**-1,347**	**-8.1**
Non-performing loans	**30,816**	**8.8**	**28,472**	**7.6**	**2,344**	**8.2**
Loans to customers	**349,671**	**100.0**	**376,625**	**100.0**	**-26,954**	**-7.2**

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

Quarterly development Loans to customers



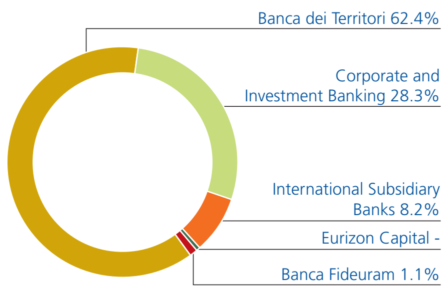
As at 30 September 2013, Intesa Sanpaolo Group loans to customers amounted to approximately 350 billion euro, down 7.2% compared to the end of the previous year.
The decrease in loans since the beginning of the year was essentially due to the 24 billion euro reduction in commercial banking loans. Also contributing to the overall change have been the decline in repurchase agreements, the balance of which fell by 3.9 billion euro, and in loans represented by securities (-8.1%, 1.3 billion euro). The downward trend in commercial banking loans, influenced by the negative economic cycle, resulted in reductions in the amounts of all technical forms: advances and loans declined 12.4 billion euro (-9.9%), mortgages fell 8.5 billion euro (-5.4%) and current accounts were down 3.2 billion euro (-9.4%). On the one hand, this performance reflects the drastic drop in demand for business loans and for short-term loans, due to the reduced need to finance working capital, and for medium/long-term loans due to fewer investments made. On the other hand it reflects the strict criteria adopted for assessment of creditworthiness applied by managers in view of the decline in borrowers' capacity to meet their commitments.
In the domestic medium-/long-term loan market, in the first nine months of 2013 disbursements to households (including the small business and non-profit segments) amounted to 7.6 billion euro and disbursements to businesses under the Banca dei Territori (including Corporate segment customers with turnover of up to 350 million euro migrated to Banca dei Territori) came to approximately 7.5 billion euro. During the same period, medium-/long-term disbursements to segments in the new perimeter of the Corporate Division in Italy amounted to 10.8 billion euro.
As at 30 September 2013, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.1% for total loans.

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	212,584	223,387	-10,803	-4.8
Corporate and Investment Banking	96,475	103,498	-7,023	-6.8
International Subsidiary Banks	27,876	29,312	-1,436	-4.9
Eurizon Capital	145	226	-81	-35.8
Banca Fideuram	3,890	3,985	-95	-2.4
Total business areas	**340,970**	**360,408**	**-19,438**	**-5.4**
Corporate Centre	8,701	16,217	-7,516	-46.3
Intesa Sanpaolo Group	**349,671**	**376,625**	**-26,954**	**-7.2**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for over 60% of the aggregate of the Group's business areas, recorded a decrease of 4.8% compared to the end of the previous year, particularly to the business and retail segments. Corporate and Investment Banking loans declined by 6.8%: the lesser use of cash by Italian and international Corporate customers, especially Global Industries customers, was only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. The loans of the International Subsidiary Banks fell by 4.9% and those of Banca Fideuram, amounting to a modest total overall, were down by 2.4% due to fewer repurchase agreement transactions with institutional customers. The decline in Corporate Centre loans (-46.3%) is mainly attributable to decreased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.09.2013		31.12.2012		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	12,821	3.7	11,202	3.0	1,619
Substandard loans	13,037	3.7	11,495	3.0	1,542
Restructured loans	2,184	0.6	2,863	0.8	-679
Past due loans	2,774	0.8	2,912	0.8	-138
Non-performing loans	**30,816**	**8.8**	**28,472**	**7.6**	**2,344**
Performing loans	303,488	86.8	331,439	88.0	-27,951
Loans represented by performing securities	15,367	4.4	16,714	4.4	-1,347
Loans to customers	**349,671**	**100.0**	**376,625**	**100.0**	**-26,954**

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

As also illustrated and described in the chapter dedicated to risk management, as at 30 September 2013 the Group's non-performing loans, net of adjustments, increased by 8.2% compared to the end of the previous year. With non-performing loans accounting for 8.8% of total loans to customers, the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering the guarantees securing the positions. Coverage of non-performing loans came to 44.5%, higher than the level at the end of 2012 (42.7%).
In further detail, doubtful loans came to 12.8 billion euro, net of adjustments, at the end of the first nine months of 2013, up by 14.5% compared to the beginning of the year and represented 3.7% of total loans, with a coverage ratio of 61%. Substandard loans increased (+13.4%) compared to 31 December 2012 to reach 13 billion euro with a 3.7% impact on total loans to customers: the coverage ratio rose to 23.5%. Restructured loans stood at 2.2 billion euro, recording a decrease of 23.7%, with a resulting reduction in their impact on total loans (0.6%) and a coverage ratio lower than at the beginning of the year as a result of the previously mentioned reclassification of the Tassara position among substandard loans. Past due loans totalled approximately 2.8 billion euro, down 4.7% compared to the end of 2012.
The coverage ratio of performing loans remained stable at approximately 0.8%.

Customer financial assets

(millions of euro)

	30.09.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	363,310	46.3	380,353	47.8	-17,043	-4.5
Direct deposits from insurance business and technical reserves	89,662	11.4	81,766	10.3	7,896	9.7
Indirect customer deposits	420,919	53.6	413,796	52.1	7,123	1.7
Netting [(a)]	-88,636	-11.3	-81,279	-10.2	7,357	9.1
Customer financial assets	**785,255**	**100.0**	**794,636**	**100.0**	**-9,381**	**-1.2**

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

[(a)] Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, life business technical reserves).

As at 30 September 2013 customer financial assets stood at 785 billion euro, down slightly compared to the beginning of the year (-1.2%). The decrease in direct deposits from banking business was only partly offset by the increase in direct deposits from insurance business and in indirect customer deposits. The insurance segment recorded a 7.9 billion euro increase (+9.7%) as a result both of life insurance business technical reserves representing traditional policies and financial liabilities designated at fair value associated with unit-linked products. The decrease in direct deposits from banking business of 17 billion euro (-4.5%) is attributable to all technical forms, with the exception of current accounts and deposits which instead recorded a considerable growth, confirming the steady performance of demand deposits. Indirect customer deposits, on the other hand, recorded an increase (+1.7%) since the beginning of the year, with a marked shift from assets under administration towards assets under management.

Direct deposits from banking business

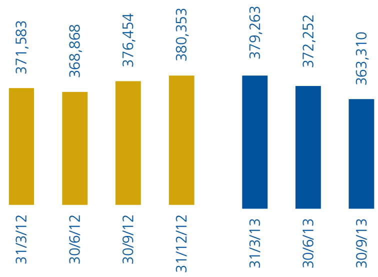
The table below sets out amounts due to customers, securities issued, including those designated at fair value, and securitised capital-protected certificates.

(millions of euro)

	30.09.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	205,047	56.5	194,680	51.2	10,367	5.3
Repurchase agreements and securities lending	4,121	1.1	14,414	3.8	-10,293	-71.4
Bonds	122,504	33.7	136,407	35.9	-13,903	-10.2
of which designated at fair value (*)	*11*	-	*9*	-	*2*	*22.2*
Certificates of deposit	4,619	1.3	6,556	1.7	-1,937	-29.5
Subordinated liabilities	12,102	3.3	13,451	3.5	-1,349	-10.0
Other deposits	14,917	4.1	14,845	3.9	72	0.5
of which designated at fair value (**)	*4,268*	*1.2*	*3,054*	*0.8*	*1,214*	*39.8*
Direct deposits from banking business	**363,310**	**100.0**	**380,353**	**100.0**	**-17,043**	**-4.5**

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

Quarterly development
Direct deposits from banking business



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

(**) Figures included in the Balance sheet under Financial liabilities held for trading.

The total of direct deposits from banking business was down compared to the beginning of the year (-4.5%), with diverging performances by the main deposit types.

Current accounts and deposits increased by 10.4 billion euro (+5.3%), owing to the placements of savings deposits, driven by customers' interest in the more remunerative time deposits. By contrast, repurchase agreements and securities lending, which are primarily financial in nature, showed a strong decline of 10.3 billion euro as a result of a decrease in the Group's transactions with institutional counterparties. Bonds declined by 13.9 billion euro (-10.2%), showing a decrease in the renewal of maturing securities, also due to the shift in the composition of funding towards more flexible forms such as the aforementioned savings deposits. Certificates of deposit showed a consistent decrease (-29.5%), essentially attributable to lower issues by the international branches, and subordinated liabilities also fell by -10%. Other deposits rose slightly (+0.5%), mainly due to the increase of 1.2 billion euro in capital protected certificates issued by Banca IMI and designated at fair value, only partly offset by the drop in sums available to customers and in commercial papers.

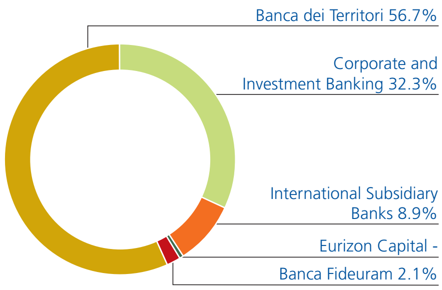
At the end of the first nine months of 2013, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, stood at 16.7%.

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	196,415	204,113	-7,698	-3.8
Corporate and Investment Banking	111,976	107,163	4,813	4.5
International Subsidiary Banks	30,596	31,163	-567	-1.8
Eurizon Capital	7	7	-	-
Banca Fideuram	7,244	6,672	572	8.6
Total business areas	**346,238**	**349,118**	**-2,880**	**-0.8**
Corporate Centre	17,072	31,235	-14,163	-45.3
Intesa Sanpaolo Group	**363,310**	**380,353**	**-17,043**	**-4.5**

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

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which accounts for over half of the aggregate attributable to the Group's total business areas, has declined by 3.8% compared to the beginning of the year: the decrease in securities issued, associated with the maturity of retail bonds, was only partly offset by the increase in amounts due to customers, especially retail and private customers that subscribed savings deposits. Corporate and Investment Banking reported an increase of 4.8 billion euro (+4.5%), largely attributable to the amounts due to customers component, owing to the increase in deposits by leading financial institutions and large Italian and international corporate groups. Banca Fideuram's funding of also increased (+8.6%), mainly as a result of the increase in current account deposits held by institutional customers. By contrast, the International Subsidiary Banks recorded a slight decrease in funding (-1.8%), essentially attributable to amounts due to customers. The decline reported by the Corporate Centre (-45.3%) was mainly due to the decrease in repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.09.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**30,016**	**33.5**	**27,038**	**33.1**	**2,978**	**11.0**
Index-linked products	*1,100*	*1.2*	*1,700*	*2.1*	*-600*	*-35.3*
Unit-linked products	*28,916*	*32.3*	*25,338*	*31.0*	*3,578*	*14.1*
Technical reserves	**59,088**	**65.9**	**54,660**	**66.8**	**4,428**	**8.1**
Life business	58,620	65.4	54,241	66.3	4,379	8.1
Mathematical reserves	*52,923*	*59.0*	*47,525*	*58.1*	*5,398*	*11.4*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,066*	*5.7*	*6,226*	*7.6*	*-1,160*	*-18.6*
Other reserves	*631*	*0.7*	*490*	*0.6*	*141*	*28.8*
Non-life business	*468*	0.5	*419*	0.4	49	11.7
Other insurance deposits (***)	**558**	**0.6**	**68**	**0.1**	**490**	
Direct deposits from insurance business and technical reserves	**89,662**	**100.0**	**81,766**	**100.0**	**7,896**	**9.7**

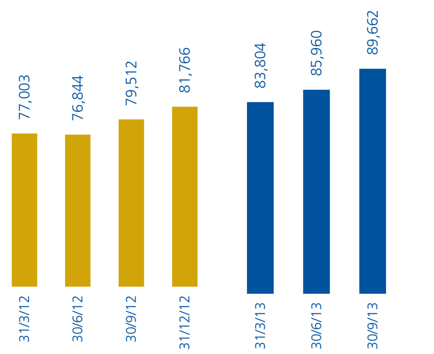
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

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

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

Quarterly development
Direct insurance deposits and technical reserves



Direct deposits from insurance business came to nearly 90 billion euro at the end of September 2013, up by 9.7% from the beginning of the year. Insurance segment financial liabilities designated at fair value recorded growth of 3 billion euro (+11%), attributable to the contribution from unit-linked products, which more than offset the decline in index-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 4.4 billion euro (+8.1%), almost entirely attributable to the life business: this performance is associated with the improvement in mathematical reserves, only partly offset by the decrease in technical reserves associated with unit-linked and index-linked policies with significant insurance risk and with pension funds, pursuant to IFRS 4.

Indirect customer deposits

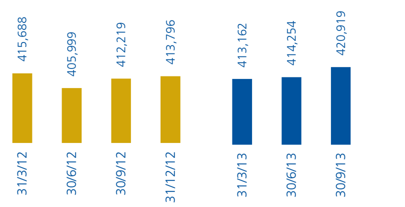
(millions of euro)

	30.09.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	65,109	15.5	59,011	14.3	6,098	10.3
Open-ended pension funds and individual pension plans	3,497	0.8	3,040	0.7	457	15.0
Portfolio management	81,904	19.4	77,140	18.6	4,764	6.2
Life technical reserves and financial liabilities	89,152	21.2	82,122	19.8	7,030	8.6
Relations with institutional customers	10,447	2.5	10,178	2.5	269	2.6
Assets under management	**250,109**	**59.4**	**231,491**	**55.9**	**18,618**	**8.0**
Assets under administration and in custody	**170,810**	**40.6**	**182,305**	**44.1**	**-11,495**	**-6.3**
Indirect customer deposits	**420,919**	**100.0**	**413,796**	**100.0**	**7,123**	**1.7**

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

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

Quarterly development
Indirect customer deposits



As at 30 September 2013, indirect customer deposits reached 421 billion euro, up 1.7% compared to the end of the previous year. Customers repositioned into forms of professional asset management, with a transfer from assets under administration to assets under management. Assets under management, which account for more than half of the total aggregate, increased by 18.6 billion euro since the beginning of the year (+8%), owing to consistent net inflows and, to a lesser extent, the revaluation of assets under management. All technical forms under management performed well: life insurance policies which increased by 7 billion euro (+8.6%), mutual funds up 6.1 billion euro (+10.3%), which confirm the positive trend that began in the first quarter of the year, and portfolio management which rose by 4.8 billion euro (+6.2%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by collective and individual pension forms, which showed an increase of 457 million euro (+15%), and by relations with institutional customers which increased by 269 million euro (+2.6%). In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 14.2 billion euro in the first nine months of 2013.

Financial assets and liabilities

(millions of euro)

	30.09.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	53,337	*754*	63,546	*1,125*	-10,209	-16.1
of which derivatives at fair value	*32,599*	*33*	*44,968*	*39*	*-12,369*	*-27.5*
Financial assets designated at fair value through profit and loss	37,636	*36,541*	36,887	*35,748*	749	2.0
Financial assets available for sale	102,969	*46,526*	97,209	*43,527*	5,760	5.9
Investments held to maturity	2,120		2,148		-28	-1.3
Total financial assets	**196,062**	***83,821***	**199,790**	***80,400***	**-3,728**	**-1.9**
Financial liabilities held for trading (*)	**-36,249**	***-73***	**-49,141**	***-79***	**-12,892**	**-26.2**
of which derivatives at fair value	*-33,080*	*-73*	*-46,097*	*-79*	*-13,017*	*-28.2*

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

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets decreased by 1.9% owing to the differentiated performance of the various components. Financial assets held for trading recorded a 10.2 billion euro decrease (-16.1%), entirely attributable to derivative contracts, a decline which, additionally, is correlated with the analogous decrease in the negative fair value of those derivative contracts under financial liabilities held for trading. The 5.8 billion euro increase in financial assets available for sale (+5.9%) is attributable to bonds and other debt securities, with increases reported by the Parent Company and by Intesa Sanpaolo Vita. Financial assets designated at fair value recorded a more limited increase in absolute terms (+2%) whilst those held to maturity have reported no significant changes.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 30 September 2013, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.09.2013	Fair value at 30.09.2013	Income components in case of no transfer (before tax)		Income components for the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	1,204	1,078	52	31	-7	58
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	-	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	-	-	-
Shares and funds	Financial assets held for trading	Financial assets available for sale	33	33	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,603	4,144	269	115	-97	103
Loans	Financial assets available for sale	Loans	83	85	-23	2	-34	2
TOTAL			**6,923**	**5,340**	**297**	**148**	**-139**	**163**

Had the Group not reclassified the above financial assets, a total of 297 million euro in greater positive mark-to-market income components and 148 million euro in other positive components would have been recognised during the first nine months of the year. No portfolio transfers were made in the reporting period.

Net interbank position

The net interbank position as at 30 September 2013 came to a negative 32.1 billion euro, an improvement on the figure recorded at the end of 2012 (-36.8 billion euro). The negative imbalance between interbank amounts receivable and payable was affected by loans entered into with the European Central Bank following the participation in two 3-year auctions (LTROs – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012. At the end of September 2013 the amount due to the ECB amounted to 24 billion euro, down on the 36 billion euro recorded at the end of 2012 due to the 12 billion euro repayment of the first tranche of the loan made at the end of the first half of the year.

Sovereign risk exposure

As at 30 September 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 111 billion euro (of which around 38 billion euro in securities held on Group insurance companies' portfolios) and by other loans for approximately 23 billion euro.
Among these, the exposure to Italian government securities totalled 97 billion euro, in addition to about 21 billion euro represented by loans. The securities exposure figure increased by approximately 7 billion euro compared to the figure as at 31 December 2012, but was around 3 billion euro lower than the figure as at 30 June 2013 due to disposal of securities performed during the third quarter.
The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,805**	**49,541**	**1,428**	**52**	**9,092**	**37,641**	**105,559**	**21,838**
Austria	-	3	3	-	47	15	68	-
Belgium	-	5	-	-	54	19	78	-
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	9	-	-	-	-	-	9	-
Czech Republic	-	30	-	-	1	-	31	28
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	27	8	35	13
France	122	3	-	-	230	81	436	18
Germany	83	123	-	-	595	1,264	2,065	-
Greece	-	-	-	-	36	-	36	-
Hungary	110	901	19	-	46	-	1,076	257
Ireland	30	-	-	-	-	71	101	-
Italy	6,788	46,781	349	52	7,106	35,833	96,909	20,654
Latvia	-	-	-	-	-	-	-	47
Lithuania	-	23	-	-	-	-	23	-
Luxembourg	-	-	-	-	241	102	343	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	34	-	-	141	68	243	-
Poland	41	-	-	-	48	-	89	-
Portugal	145	-	-	-	-	30	175	10
Romania	10	143	-	-	4	-	157	15
Slovakia	-	1,365	1,057	-	24	-	2,446	122
Slovenia	-	130	-	-	2	-	132	183
Spain	467	-	-	-	221	128	816	491
Sweden	-	-	-	-	223	22	245	-
United Kingdom	-	-	-	-	46	-	46	-
North African Countries	**-**	**630**	**-**	**-**	**570**	**-**	**1,200**	**36**
Algeria	-	-	-	-	-	-	-	36
Egypt	-	630	-	-	570	-	1,200	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**99**	**-**	**99**	**-**
Other Countries	**182**	**893**	**362**	**38**	**2,128**	**628**	**4,231**	**1,220**
TOTAL	**7,987**	**51,064**	**1,790**	**90**	**11,889**	**38,269**	**111,089**	**23,094**

(*) Debt securities held by Insurance companies are classified as follows: 37,812 millions of euro as available for sale, 268 millions of euro among securities designated at fair value through profit and loss and 189 million of euro as held for trading.

Shareholders' equity

As at 30 September 2013, the Group's shareholders' equity, including net income for the period, came to 49,481 million euro compared to the 49,320 million euro at the end of the previous year. The increase in shareholders' equity derives from net income accruing in the period, the increase in reserves and the decrease in the negative balance of valuation reserves. No changes in share capital occurred during the reporting period.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2012	Change in the period	Valuation reserves as at 30.09.2013	
				% breakdown
Financial assets available for sale	-59	108	49	-3.8
of which: Insurance Companies	*221*	*-17*	*204*	*-15.6*
Property and equipment	-	-	-	-
Cash flow hedges	-1,306	361	-945	72.4
Legally-required revaluations	351	8	359	-27.5
Other	-678	-90	-768	58.9
Valuation reserves	**-1,692**	**387**	**-1,305**	**100.0**

As at 30 September 2013 the negative balance of the Group's share of valuation reserves fell to -1,305 million euro from -1,692 million euro reported at the end of 2012. The change for the period was attributable to the appreciation in value of cash flow hedge reserves by 361 million euro and to financial assets available for sale (+108 billion euro), particularly debt securities held in the insurance companies' portfolios. The negative balance of other reserves increased by 90 million euro.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	30.09.2013	31.12.2012
Regulatory capital		
Tier 1 capital	34,646	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*2,544*
Tier 2 capital	5,455	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,101**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,101**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	236,130	253,309
Market risks	18,130	18,427
Operational risks	22,689	25,745
Other risks (***)	1,027	1,138
RISK-WEIGHTED ASSETS	**277,976**	**298,619**
Capital ratios %		
Core Tier 1 ratio	11.5	11.2
Tier 1 ratio	12.5	12.1
Total capital ratio	14.4	13.6

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

(**) Effective 1 January 2013, the elements of an insurance nature previously deducted from total regulatory capital have instead been deducted from tier 1 and tier 2 capital (at 50% each), on a par with the other elements deducted, according to the specific indications contained in Bank of Italy Circulars 155 and 263.

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

Regulatory capital and related capital ratios as at 30 September 2013 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.
As at 30 September 2013, total regulatory capital came to 40,101 million euro, compared to risk-weighted assets of 277,976 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The decrease in risk-weighted assets posted during the first nine months of 2013 is primarily attributable to ordinary operations, optimisation processes and the decrease in operational risk, largely due to the stipulation of new insurance coverage (second layer policy) known as Operational Risk Insurance Programme, which offers coverage greater than that of traditional (first layer) policies and therefore significantly increases the limit of liability, in effect transferring the risk of significant operational losses to the

insurance market. The internal model insurance mitigation component referring to these policies was approved by the Bank of Italy in June 2013 with immediate effect.
In addition, regulatory capital takes account not only of ordinary operations, but also an estimate of the dividends to be paid on 2013 net income, the amount of which has been determined on a conventional basis as three-quarters of the dividend proposed by the Shareholders' Meeting of 22 April 2013 for 2012 (0.05 euro per ordinary share and 0.061 euro per savings share).
With respect to the method for determining regulatory capital, note that - following the notice received from the Bank of Italy on 9 May 2013 - a negative prudential filter has been applied to sterilise the positive effects on Core Tier 1 associated with multiple cases of tax realignment of goodwill. The effects of this sterilisation, spread over a 5-year period from report as at 31 March 2013, were calculated in reference to the associated DTAs as at 31 December 2012, net of the substitute tax paid and the total of such DTAs reversed to the income statement during the period. The application of this filter led to a negative effect on Core Tier 1 of 3 hundredths of a point.
The application effective 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) had a limited impact for regulatory purposes, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.
The Total capital ratio stood at 14.4%, while the Group's Tier 1 ratio was 12.5%. The Core Tier 1 ratio was 11.5%.
Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 September 2013 account for this measure (the effect on the Core Tier 1 ratio is +5 basis points).

Breakdown of consolidated results by business area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2013.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the third quarter; it also illustrates income statement figures and the main balance sheet aggregates.

As part of the redefinition of the organisational structure and areas of responsibility of the Intesa Sanpaolo Group, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 to 350 million euro, previously included under the Corporate and Investment Banking Division, as well as to the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring.
Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
30.09.2013	8,383	2,616	1,613	248	645	-1,154	12,351
30.09.2012	8,133	2,712	1,630	199	641	72	13,387
% change [a]	3.1	-3.5	-1.0	24.6	0.6		-7.7
Operating costs							
30.09.2013	-3,942	-592	-861	-75	-229	-451	-6,150
30.09.2012	-4,287	-618	-870	-84	-255	-502	-6,616
% change [a]	-8.0	-4.2	-1.0	-10.7	-10.2	-10.2	-7.0
Operating margin							
30.09.2013	4,441	2,024	752	173	416	-1,605	6,201
30.09.2012	3,846	2,094	760	115	386	-430	6,771
% change [a]	15.5	-3.3	-1.1	50.4	7.8		-8.4
Net income (loss)							
30.09.2013	476	1,151	87	107	205	-1,386	640
30.09.2012	752	1,131	58	60	120	-433	1,688
% change [a]	-36.7	1.8	50.0	78.3	70.8		-62.1
Loans to customers							
30.09.2013	212,584	96,475	27,876	145	3,890	8,701	349,671
31.12.2012	223,387	103,498	29,312	226	3,985	16,217	376,625
% change [b]	-4.8	-6.8	-4.9	-35.8	-2.4	-46.3	-7.2
Direct deposits from banking business							
30.09.2013	196,415	111,976	30,596	7	7,244	17,072	363,310
31.12.2012	204,113	107,163	31,163	7	6,672	31,235	380,353
% change [b]	-3.8	4.5	-1.8	-	8.6	-45.3	-4.5

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

[a] The change expresses the ratio between 30.09.2013 and 30.09.2012.

[b] The change expresses the ratio between 30.09.2013 and 31.12.2012.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.09.2013	30.09.2012	Changes	
			amount	%
Net interest income	4,687	4,870	-183	-3.8
Dividends and profits (losses) on investments carried at equity	12	1	11	
Net fee and commission income	3,018	2,581	437	16.9
Profits (Losses) on trading	53	73	-20	-27.4
Income from insurance business	581	568	13	2.3
Other operating income (expenses)	32	40	-8	-20.0
Operating income	**8,383**	**8,133**	**250**	**3.1**
Personnel expenses	-2,270	-2,520	-250	-9.9
Other administrative expenses	-1,665	-1,760	-95	-5.4
Adjustments to property, equipment and intangible assets	-7	-7	-	-
Operating costs	**-3,942**	**-4,287**	**-345**	**-8.0**
Operating margin	**4,441**	**3,846**	**595**	**15.5**
Net provisions for risks and charges	-28	-53	-25	-47.2
Net adjustments to loans	-3,314	-2,272	1,042	45.9
Net impairment losses on other assets	-2	-4	-2	-50.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,097**	**1,517**	**-420**	**-27.7**
Taxes on income from continuing operations	-467	-608	-141	-23.2
Charges (net of tax) for integration and exit incentives	-30	-32	-2	-6.3
Effect of purchase price allocation (net of tax)	-124	-125	-1	-0.8
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**476**	**752**	**-276**	**-36.7**

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Loans to customers	212,584	223,387	-10,803	-4.8
Direct deposits from banking business	196,415	204,113	-7,698	-3.8
Direct deposits from insurance business and technical reserves	72,043	67,597	4,446	6.6

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

Banca dei Territori's operating income was 8,383 million euro in the first nine months of 2013, amounting to 68% of the Group's consolidated operating income, up 3.1% on the same period of the previous year. In further detail, there was a decline in net interest income (-3.8%), the main drivers of which included lower margins on deposits and a larger contribution by loans to customers. By contrast, net fee and commission income increased (+16.9%), most markedly on asset management and bancassurance products, net fee and commission income on current accounts (including fee and commission income on credit facilities) and fees and commissions on placements. Other income components reported a decrease in profits on trading, dropping from 73 million euro to 53 million euro. Income from insurance business, equal to 581 million euro, highlighted growth (+2.3%) due to improvement in the technical margin, which offset the decrease in the financial component. Operating costs, amounting to 3,942 million euro, fell (-8%) compared to the same period of the previous year. The operating margin amounted to 4,441 million euro, up 15.5% compared to the first nine months of 2012. Conversely, income before tax from continuing operations declined by 27.7%, amounting to 1,097 million euro, penalised by higher adjustments to loans (+45.9%).

The cost of credit of Banca dei Territori, calculated as the ratio of annualised adjustments to loans and stock of loans to customers, amounted to 2.1% during the first nine months of 2013. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 2,684 million euro (compared to loans of 154,882 million euro), broken down as follows: Intesa Sanpaolo 1,270 million euro, Banco di Napoli 249 million euro, Banca dell'Adriatico 119 million euro, CR Veneto 194 million euro, CR Venezia 36 million euro, CR Friuli Venezia Giulia 45 million euro, Banca di Trento e Bolzano 33 million euro, Carisbo 211 million euro, CR Romagna 74 million euro, the Banca CR Firenze Group 333 million euro, Banca di Credito Sardo 70 million euro and Banca Monte Parma 50 million euro.
Lastly, after allocation to the Division of charges for integration of 30 million euro and the economic effects of purchase price allocation for 124 million euro, net income amounted to 476 million euro, down 36.7%.

On a quarterly basis, the third quarter of 2013 reported an operating margin down 7.1% on the second quarter, due to a decrease in revenues (-3.8%) and substantial stability in operating costs (+0.1%). Income before tax from continuing operations was down by 43.3% as a result of the increase in net adjustments to loans (+6.5%). This trend was reflected in the net income (-50.8%).
The balance sheet figures at the end of September 2013 showed loans to customers of 212,584 million euro, down 4.8% on the previous year-end essentially as a result of the decrease in loans to business customers, which reduced their use of loans due to the negative economic context, and to individuals. Direct deposits from banking business, amounting to 196,415 million euro, was down 3.8%, due to the downward trend in securities issued associated with the maturity of retail bonds, which more than offset the increase in amounts due to customers, especially to individuals and private banking customers that subscribed savings deposits. Direct deposits from insurance business, amounting to 72,043 million euro, recorded an increase (+6.6%), primarily due to growth in technical reserves, which considerably offset the decrease in the financial liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small businesses, private banking customers, and small and medium businesses , creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Marketing Department	Manages the Retail market, composed of the Households (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro to 1 million euro) segments, the Small Business market (businesses with a turnover under 2.5 million euro and group loan facilities under 1 million euro) and the SME market (businesses with group turnover of 2.5 million euro to 350 million euro)
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance and Neos Finance), factoring (Mediofactoring and Centro Factoring) and leasing (Leasint and Centro Leasing), the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Approximately 4,700 branches, including Retail, Business and Private-Banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

As previously noted, as part of the redefinition of the organisational structure and areas of responsibility of the Intesa Sanpaolo Group, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 to 350 million euro, previously included under the Corporate and Investment Banking Division, as well as to the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring. Furthermore, in July, as part of the activities involved in the Banca dei Territori Division's simplification process, the breakdown of its central structures was reviewed, reducing the number of staff and combining the three Marketing Departments (Retail, Small Business and Business) into a single Marketing Department.

In the third quarter, as part of the organisational restructuring of Toscana, Umbria, Lazio and Sardegna Direzione Regionale, the Territorial Areas were reduced from 29 to 28.

Marketing Department – *Retail Market*

Investment

In the third quarter of 2013, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (Spending, Reserves, Investment and Pension) and the Recommended Portfolios.
Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of:

- Group bonds and Certificates, the offering of which is updated monthly in accordance with the context and market developments;
- "Signor Cliente", a class I policy offered by Intesa Sanpaolo Vita with guarantee for the capital and a guaranteed minimum return, reserved for insured parties under index-linked policies of Intesa Sanpaolo Vita maturing after 1 July 2011 and by the date of subscription of the new contract;
- "Risparmio 2.0", a class I policy offered by Intesa Sanpaolo Vita, with guarantee for the capital and disbursement of periodic coupons, dedicated to customers interested in investing in asset management products, who are not insured under index-linked policies or holders of Group asset management products, who are interested in accessing professional asset management;
- "Epsilon Flexible Forex Coupon Settembre 2018" and "Epsilon Flexible Forex Coupon Dicembre 2018", two Italian funds which, through dynamic investment in bond financial instruments and, to a minimum extent, share financial instruments denominated in currencies other than the euro, optimise returns over a time period of slightly more than five years, observing a risk budget, and distribute a semi-annual coupon;
- three Italian registered mutual funds with a set duration of five years in the "Eurizon Gestione Attiva Classica", "Eurizon Gestione Attiva Dinamica" and "Eurizon Gestione Attiva Opportunità" lines , with maturity in October 2018, which aim to maximise the return on investment based on the time period, through flexible management within the level of risk set for each fund;
- "Valore Cedola x 5 07/2013", a new sub-fund of the Luxembourg fund "Investment Solutions By Epsilon", which aims to achieve a positive expected return over the recommended investment horizon of five years and distribute an annual coupon;
- an Italian registered fund in the "Eurizon Cedola Attiva Top" line, maturing in October 2020, which aims to optimise returns over a time period of seven years, through flexible investments, with equity exposure of at least 30%, in the European and US markets, hedging foreign exchange risk and selecting securities from companies generating significant, sustainable cash flows.

Banca Estesa Project and Out-of-branch Offerings

With the aim of dedicating increasingly close attention to customer service and expectations, in the third quarter of 2013 the Intesa Sanpaolo Group continued implementing the Banca Estesa project, in order to make services and advice available to customers during longer hours, not only via direct channels, but also at branches.
In the quarter, another 50 of the Group's branches were involved, in addition to the approximately 400 in the first six months of the year, in the extension of operations to the pre-evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities.
In parallel to the extension of branch business hours, the Bank developed its Out-of-branch Offerings, through which managers can reach customers at their homes or workplaces.

Web

Intesa Sanpaolo has innovated its web presence, to increase the opportunities to interact with the public and offer services and support 24-7, using physical and virtual channels as complements to each other.
Specifically, the Intesa Sanpaolo website and those of the other Group banks were redesigned, to make the pages simple and customisable, new functionalities were added to the Facebook page and the "Customer Service" available through this channel was expanded, and areas were activated on LinkedIn and YouTube to publicise the Group's activities, announce initiatives and promote the recruitment of personnel.

Mortgages

The suspension of repayments of mortgages/loans applied to inhabitants of the Emilia Romagna region and the provinces of Mantua and Rovigo hit by the earthquake in May 2012 was extended to 31 December. The extension is the result of the renewal of the Agreement signed in February 2013 by the Emilia Romagna branch of the Italian Banking Association and consumer and business associations to consolidate and rationalise the measures already implemented by banks in these areas. Based on the new agreement, borrowers - both individuals and businesses - that have already taken advantage of the suspension of repayments offered up to 30 June 2013 may request an extension of the moratorium until 31 December, by submitting the required documentation.

Loans

The "Servizio Garanzia Affitto", launched at the beginning of June at all Group Banks, consisting of a bank guarantee issued by the bank to landlords on behalf of tenants of a residential property, in place of a security deposit, was joined in August by the Confedilizia agreement, which allows tenants of properties owned by members of the trade association to obtain a discount on the annual fee or on transaction initiation expenses.

Marketing Department – *Small Business Market*

Acquisition initiatives	The Intesa Sanpaolo Group's intention to be the leading bank for companies established no more than three years ago was confirmed by the "A tutto Business! Start up", which provides fifteen free months of the account. Furthermore, to support acquisition activities, "A tutto Business" initiatives that include special conditions on the "Business Insieme" account combined with subsidies on short-term loans, and the promotions on Setefi POS, even more convenient if in the presence of the "Anticipo Transato POS" credit facilities, have been implemented.
Loans	To support agricultural companies, small craftsmen companies and merchants that were damaged due to the whirlwinds that hit the Upper and Middle Polesine areas, the Intesa Sanpaolo Group, through Cassa di Risparmio del Veneto, made available a maximum amount of 20 million euro at advantageous conditions, offering the possibility of obtaining advances on insurance indemnities. Loans of up to sixty months are also provided at special conditions, which may also include a grace period of up to eighteen months, to allow crops, specifically fruit crops, to return to their normal production cycle. Lastly, the possibility of applying the moratorium of the Italian Banking Association to outstanding loans is also envisaged, with the resulting extension of the maturities of credit for farming activities for a maximum of 120 days. For agricultural companies located in the provinces of Cremona, Mantua and Brescia, which suffered series damages from the bad weather at the end of July, Intesa Sanpaolo allocated a maximum amount of 30 million euro and specific financing instruments to cover the loss of crops and harvests and restore damaged structures, with a term of up to fifteen years in the event of significant structural damages, and to provide advances of up to twelve months for insurance indemnities for damages incurred. To support companies, farmers, small craftsmen companies and merchants and households in the provinces of Udine and Pordenone that suffered damages due to the whirlwinds and bad weather at the beginning of September, Cassa di Risparmio del Friuli Venezia Giulia made available a maximum amount of 5 million euro for loans at advantageous conditions.

Marketing Department – *Business Market*

Agreements	The new national agreement, the fourth since 2009, signed in March with Confindustria Piccola Industria, which provides a maximum amount of 10 billion euro, including 200 million euro dedicated to financing innovative projects of new companies. This agreement had already been rolled out across the country through Confindustria's regional associations in Lazio, Liguria, Tuscany, Veneto, Umbria and Abruzzo. In the third quarter it was approved at regional level also in Valle d'Aosta, in Piedmont, with the allocation of a maximum amount of 1.1 billion euro by Intesa Sanpaolo, and in Emilia Romagna, through Carisbo, Cariromagna and Banca Monte Parma, with a maximum amount of 1.4 billion euro. This cooperation, which aims at reinforcing the relationship and dialogue between companies and the bank and stimulating and sustaining demand for credit by small and medium enterprises through the use of credit facilities that make access to credit simpler and more profitable, involves a focus on three strategic areas: internationalisation, innovation and research, growth in size and new "high quality" business projects.
Loans	The Intesa Sanpaolo Group, in synergy with the European Investment Bank, has made a total amount of 661 million euro available, also through Mediocredito Italiano and Leasint, for medium/long-term loans to support Italian enterprises, with the goal of combating the effects of the economic crisis and contributing to the launch of recovery. Specifically, in relation to this financing, the following sectors have been identified for action: SMEs (400 million euro), renewable energies (100 million euro), energy efficiency for schools in the province of Milan (65 million euro), environment (60 million euro), loans to university students (20 million euro) and Parma social housing (16 million euro). Implementing the agreement signed in May, in September the Banco di Napoli and EIF – European Investment Fund co-financing called "Jeremie (Joint European Resources for Micro to Medium Enterprises) Calabria", in favour of SMEs in Calabria, became operational, using EU resources. Total funds available amount to 52.5 million euro, of which 21 million euro using Jeremie funds and 31.5 million euro using funds made available by the Bank. The co-financing supports investment and development programs of SMEs with operations with terms of up to 10 years at favourable conditions.

Intesa Sanpaolo Private Banking

In the third quarter of 2013, **Intesa Sanpaolo Private Banking** operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and professional staff training.
Implementation of the for-pay advisory services continued, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). Since the beginning of the year, approximately 1,400 new customers have signed up for this service, with a contribution of 2.8 billion euro in new assets, reaching 4.2 billion euro in assets under advisory contracts at the end of September. Use of the service is destined to increase, as the commercial network completes specialised training courses. Measures aimed at developing asset management also continued during the period, yielding excellent results in terms of net inflows to funds and portfolio management schemes (2.8 billion euro since the beginning of the year). Placements of the Group's certificates and bonds were also significant, reaching 1.2 billion euro. Assets managed showed sharp growth during the third quarter, rising to 79 billion euro (+2.5 billion since the beginning of the year), as a result of the effective commercial action by the network, the results achieved by asset management and advisory products and the "synergy" agreements in place with the Banca dei Territori Division. The excellent commercial results have resulted in growth of revenues and asset profitability (Return on Assets) as at 30 September 2013 compared to the corresponding period in 2012, despite the further decline in market rates. At the same time, the cost-containment measures have kept the "cost/income" and "cost to serve" at very low levels, among the best in Europe.
With regard to the optimisation of the distribution structure and service model, the process of integrating the Group's private banking networks was completed with the transfer to Intesa Sanpaolo Private Banking of the private segments of CR Umbria and CR Pistoia e Lucchesia, effective from 23 September 2013.
Intesa Sanpaolo Private Banking earned net income of 134 million euro in the first nine months of 2013, up by 25.7% compared to the same period of 2012, mainly as a result of the good performance of revenues (+15.6%), as well as of cost savings (-2.9%).

Product companies

In the first nine months of 2013 **Mediocredito Italiano** disbursed loans totalling 1,967 million euro, up by 13.6% compared to the same period of 2012. Operations of the Specialised Desks, which continuously strengthen their expertise, as a result of new tools supporting preliminary assessment of loan applications, contributed 28% of the amount disbursed (551 million euro). Loans relating to the Energy area comprised the majority (34% of the total disbursed by the Desks), but fell compared to the same period of 2012 due to the gradual depletion of the incentives granted through the Gestore Servizi Energetici (GSE). Loans in the Networks and Research area and the Food area increased on the previous year (26% and 13% of the total disbursed by the Desks, respectively).
The continued focus of the Mediocredito Italiano network on value creation was also confirmed during the period. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, with the use of government guarantees (Fondo di Garanzia (Guarantee Fund) for SMEs pursuant to Law 662/96, Fondo Nazionale per l'Innovazione (Italian National Innovation Fund) and SACE Agreement) with disbursements of approximately 700 million euro in the period.
Lastly, in the area of financing for initiatives relating to research and development projects, as well as activity pertaining to governmental grants, activity on the "Nova +" product continued with disbursements of approximately 305 million euro.
Mediocredito's operating margin amounted to 186 million euro, up compared to 142 million euro in the first nine months of 2012 (+30.8%), due to good performance of revenues (+22.8%) and a reduction in operating costs (-10.1%). After posting higher adjustments to loans, up compared to the corresponding period of the previous year (+47.4%), the company achieved a net loss of 5.4 million euro, compared to net income of 7.9 million euro in the first nine months of 2012.

During the first nine months of 2013, consumer credit activities were conducted through **Intesa Sanpaolo Personal Finance** (formerly Moneta) and **Neos Finance**. The integration of the two companies took effect from 1 April 2013, involving the partial demerger of the consumer credit, assignment of one-fifth of salary, pension, and delegated payment business of Neos Finance to Intesa Sanpaolo Personal Finance, with only the leasing segment remaining in Neos Finance. Subsequently, on 14 June, the merger by incorporation of Neos Finance into Centro Leasing was resolved and will be finalised by the end of 2013. This operation is part of the overall reorganisation of the Intesa Sanpaolo Group's Leasing Hub, with the resulting merger of Centro Leasing into Intesa Sanpaolo and subsequent demerger of the leasing business line in favour of Leasint. The activities of Neos Finance, which from the beginning of the year no longer include marketing of the leasing product, revolves around management of the existing portfolio, with particular attention to the trend in non-performing loans and to the adequacy of regulatory capital.
As at 30 September 2013, Intesa Sanpaolo Personal Finance disbursed new loans totalling 2,507 million euro, up 12.2% compared to the same period of the previous year (special-purpose loans +14.9%; car loans +5.6%; personal loans +4.5%; assignment of one-fifth of salary +37.3%). As regards commercial initiatives, in the extra-captive channel, various campaigns were also conducted in the third quarter for the car loan, home improvement loan, personal loan and assignment of one-fifth of salary products. Following the merger between Intesa Sanpaolo Personal Finance and Neos Finance, the figures for the first nine months of 2012 provided as a comparison were reconstructed by combining the income statements of the two companies. Aggregate income before tax from continuing operations amounted to 32 million euro, compared to 21 million euro in the first nine months of 2012 (+52%). The growth is mainly attributable to the development of net interest income (+15.9%) and the reduction in operating costs (-4.9%). As a result of lower adjustments to loans (-4%), the company achieved net income of 7.7 million euro, up 27.7% compared to the same period of the previous year.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 13 million cards managed by Setefi as at 30 September 2013 are cards issued directly by the Parent Company and the Group banks (+10.7% compared to the first nine months of 2012). The number of POS at the end of September 2013 amounted to over 284,000. In the first nine months of 2013, the volume of transactions handled (transactions on Setefi POS and

transactions of cards issued by Group banks on other POS) and the total amount transacted increased compared to the same period of 2012. The total number of transactions handled came to 518 million euro, while the amount transacted stood at 39 billion euro. The main actions implemented during the third quarter included: further expansion of initiatives for the launch of "Mobile POS" ("Move and Pay Business", the new solution from Setefi and the Group to accept payments via mobile devices - smartphones and tablets - providing new mobile payment methods for sales), activating a pilot project involving approximately 1,000 devices; the launch of the service for paying postal payment slips via POS; development for acquiring business of leading oil companies and airlines; and the continuation of acquiring activities in new countries. In September, Setefi began operating also in Austria and Germany. The company was already present in Switzerland, Spain and France and has already obtained authorisation to operate in the United Kingdom, Greece, Portugal, the Netherlands and the Principality of Monaco. During the period, the development of integrated services for e-commerce continued, including the new acquiring-couponing platform. Setefi provides merchants and the Bank with the couponing platform as well as the Moneta Web portal, enabling, through its POS network, an exclusive service to manage coupon redemption at the time of use. Lastly, additional Wallets were developed for online payments, including Masterpass, a comprehensive technology and software solution for making payments at physical points of sale and on internet sites, using NFC (Near Field Communication) technology.
In the first nine months of 2013, Setefi recorded a significant increase in operating margin, which rose to 171 million euro (+14.6% compared to the same period of 2012) and in net income, amounting to 115 million euro (+13.6%), as a result of the aforementioned increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

In the first nine months of 2013, **Mediofactoring** reported a turnover of 36.9 billion euro, a 6.2% decrease on the same period of 2012, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 29.8%. Compared to 31 December 2012, outstanding receivables, equal to 11.3 billion euro, posted a decrease (-15.1%) and period-end loans amounted to 9.4 billion euro, down 17.8%. This performance was attributable to the seasonality of factoring, characterised by increasing rises in operations over each quarter of the year. The positive performance of operations was confirmed by the average volumes of loans, amounting to 8.4 billion euro, up 1 billion euro compared to the same period of the previous year (+12.5%).
During the third quarter an integration project was launched, which envisages the merger by incorporation of Centro Factoring into Mediofactoring, with legal effect on 31 December 2013 and accounting and tax effect on 1 January 2013. The Factoring Hub project has objectives of cost synergies, improved risk control and more effective production focus. The merger also involves the transformation of advances on invoices into factoring activities with target customers identified in the area of businesses. Specifically, a pilot phase was launched with regard to the Piemonte, Liguria and Valle D'Aosta Direzione Regionale, which involves all branches throughout these areas. Once this phase is completed, it will be assessed whether to launch the initiative at national level.
In terms of income statement figures, the operating margin of Mediofactoring and Centro Factoring for the first nine months of 2013, amounting to 222 million euro, was up by 12.9% compared to the same period of 2012 as a result of the increase in operating income (+10.6%), driven by net interest income, which benefited from the positive performance of average volumes. Net income amounted to 113 million euro, up by 21.3% on the first nine months of 2012.

At the end of September 2013, Intesa Sanpaolo was the number-two leasing provider in the Italian market with a share of 11.7%. Following the definition of the strategic guidelines for the **Leasing Hub** for 2013, commercial activity focused on controlled, selective development aimed at increasing profitability. This goal was pursued through a focus on capital channels and top-rated customers, on one hand, and through the discontinuation of business and the branch network of Centro Leasing, on the other.
In the first nine months of 2013, the Leasing Hub entered into nearly 4,900 new contracts, for an amount of 1,220 million euro, down 44.7% compared to the same period of 2012. This decrease is due to the disposal of the branch network and the policy of selectiveness in choosing customers (Investment Grade customers account for 79.1% of the total, compared to 55.4% in the previous year). In terms of income statement figures, the Leasing Hub closed the first nine months of 2013 with a net loss of 87 million euro, compared to the net loss of 74 million euro in the same period of 2012, owing to the increase in net adjustments to loans (+21.3%), which more than offset the increase in revenues (+11.2%) and lower operating costs (-15.8%).

Banca Prossima

During the first nine months of 2013, **Banca Prossima**, which operates in the non-profit sector with 64 local branches and 150 specialists distributed across the country, continued to acquire new customers for the Group. As at 30 September 2013, the bank had approximately 25,600 customers (more than 68% of which new to the Group). Financial assets amounted to 4.6 billion euro, of which 3.4 billion euro in indirect customer deposits and 1.2 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.8 billion euro (of which approximately 1 billion euro had been used). In the first nine months of 2013 the company reported revenues of 33 million euro (+21% on the same period of the previous year), achieving an operating margin of 14 million euro, up compared to the same period of the previous year (+24%). Net income, amounting to 4.2 million euro, was down by 16.7% compared to the same period of the previous year, due to high adjustments to loans (+72%).
During the third quarter, to consolidate and further strengthen Banca Prossima's leading role for the non-profit sector, commercial operations increasingly concentrated on acquiring new customers as well as developing existing customers. Furthermore, as part of measures to support non-profit organisations, Banca Prossima offered two initiatives to its customers that provide medium/long-term loans with the option of customising the repayment plan: Obiettivo Equilibrio, aimed at supporting the financial needs of organisations, including those not directly connected with an investment programme (for example, financial restructuring projects, consolidation of receivables due from the PA, transformation of debt from short to medium/long-term, even debt granted by other banks and/or relating to investments made but financed in an inconsistent manner); Obiettivo Ripresa, aimed at supporting investment programmes with the option of customising the repayment plan, also considering the flows of returns from projects implemented (i.e. fixed investments, intangible investments).

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, Intesa Sanpaolo Personal Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group includes: Intesa Sanpaolo Assicura, which operates in the non-life business, in addition to Bentos Assicurazioni, effective late 2012; Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.
In the first nine months of 2013 Intesa Sanpaolo Vita reported an operating margin of 503 million euro, up 5.4% compared to the same period of 2012, primarily due to the improvement in the technical margin, which offset the decrease in the financial component. At the end of September 2013 the portfolio of policies came to 71,417 million euro, up from the beginning of the year (+5.5%). In the first nine months of 2013, gross life premiums underwritten for both insurance products and policies with investment content amounted to 10,052 million euro, compared to 5,453 million euro in the same period of the previous year. New life business amounted to 9,869 million euro in premiums underwritten (5,245 million euro in the first three quarters of 2012).

As at 30 September 2013 the assets managed by **Intesa Sanpaolo Previdenza** came to 1,834 million euro, of which 1,550 million euro consisted of open-ended pension funds established by the company (+24% compared to the end of December 2012) and 284 million euro of closed-end funds (stable compared to the beginning of the year). Net inflows for the first nine months of the year were positive (48 million euro), owing to the contribution by open-ended pension funds. At the end of September 2013, Intesa Sanpaolo Previdenza had approximately 301,500 pension positions under management, of which nearly 130,000 were attributable to administration mandates granted by third parties. In the third quarter of 2013 the placement of Intesa Sanpaolo Previdenza products continued as a result of the activities of the Group's distribution networks: in the open-ended pension fund market, the company became the leading operator in terms of participants, maintaining the number two position in terms of assets under management. As part of the process to streamline the types of supplementary pensions, in July, Intesa Sanpaolo Previdenza approved the merger by incorporation of the "CRF Previdenza" open-ended pension fund into the "Il Mio Domani" (Group target fund) open-ended pension fund, effective from 3 March 2014.

Corporate and Investment Banking

(millions of euro)

Income statement	30.09.2013	30.09.2012	Changes amount	Changes %
Net interest income	1,371	1,330	41	3.1
Dividends and profits (losses) on investments carried at equity	-	9	-9	
Net fee and commission income	645	611	34	5.6
Profits (Losses) on trading	601	764	-163	-21.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-1	-2	-1	-50.0
Operating income	**2,616**	**2,712**	**-96**	**-3.5**
Personnel expenses	-226	-252	-26	-10.3
Other administrative expenses	-364	-364	-	-
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-592**	**-618**	**-26**	**-4.2**
Operating margin	**2,024**	**2,094**	**-70**	**-3.3**
Net provisions for risks and charges	-5	-10	-5	-50.0
Net adjustments to loans	-273	-410	-137	-33.4
Net impairment losses on other assets	-46	-65	-19	-29.2
Profits (Losses) on investments held to maturity and on other investments	14	-	14	-
Income (Loss) before tax from continuing operations	**1,714**	**1,609**	**105**	**6.5**
Taxes on income from continuing operations	-560	-478	82	17.2
Charges (net of tax) for integration and exit incentives	-3	-	3	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,151**	**1,131**	**20**	**1.8**

(millions of euro)

	30.09.2013	31.12.2012	Changes amount	Changes %
Loans to customers	96,475	103,498	-7,023	-6.8
Direct deposits from banking business [a]	111,976	107,163	4,813	4.5

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

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

In order to respond to the changed, more competitive domestic and international economic scenario as effectively as possible, the Corporate and Investment Banking Division adopted a new sector-based service model designed on the basis of the assignment of companies to specific sectors (by industry and market). Through the Global Industries and Corporate Italia Departments, and, in the context of the International Department, the Foreign Corporates Service, the new organisational model aims to achieve unified management of Italian and international customers while differentiating the service and organisational model according to macro-segmentation, potential spending on financial services and the objective of strong international development of Italian and international customers.
As mentioned above, Intesa Sanpaolo's Management Board approved certain organisational changes that modified the Division's structure and scope of operations. For further information, see the description relating to Banca dei Territori.

In the first nine months of 2013, the Division recorded operating income of 2,616 million euro (representing 21% of the Group's consolidated total), down by 3.5% compared to the same period of 2012.
In detail, net interest income, equal to 1,371 million euro, recorded growth (+3.1%) attributable to the positive trend in mark-up and to the increase in average direct deposit volumes, which confirm marketing policies aimed at maximising corporate deposits, as well as to the increase in the net investment result observed on the capital markets segment of Banca IMI. Net fee and commission income, amounting to 645 million euro, recorded growth of 5.6% owing to the good performance of investment banking, which benefited from the positive trend in structured finance and M&A commissions, and of transaction banking, which profited from trade services operations. Profits on trading, equal to 601 million euro, declined by 21.3%, due to the drop in capital market activity. Operating costs amounted to 592 million euro, down by 4.2% compared to the same period of 2012, due to lower personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,024 million euro, recorded a 3.3% decrease. Conversely, income before tax from continuing operations, amounting to 1,714

million euro, reported an increase (+6.5%), mainly owing to lower adjustments to loans resulting from less impairment of Corporate Italia positions. The cost of credit of Corporate and Investment Banking, calculated as the ratio of annualised adjustments to loans and stock of loans to customers, amounted to 0.4% during the first nine months of 2013. In greater detail, adjustments during the period by the Network Banks with respect to Corporate amounted to 172 million euro (compared to loans of 71,180 million euro), broken down as follows: Intesa Sanpaolo 119 million euro, Banco di Napoli 7 million euro, Banca dell'Adriatico 1 million euro, CR Veneto 19 million euro, CR Venezia 4 million euro, Carisbo 16 million euro, CR Romagna 3 million euro and Banca CR Firenze 3 million euro. Lastly, net income came to 1,151 million euro, up by 1.8% on the first nine months of 2012.

In quarterly terms, the third quarter of 2013 showed a decrease in operating income (-8.7%) compared to the second, mainly attributable to the negative performance of net interest income (-10.7%) and net fee and commission income (-10.9%), which more than offset the growth in profits on trading (+5.2%). The drop in revenues, along with the increase in operating costs (+10%), resulted in a 14% decrease in operating margin. By contrast, income before tax from continuing operations yielded positive performance (+2.5%), benefiting from lower adjustments to loans and impairment losses on other assets. Net income also reported an increase on the previous quarter (+2.2%).

The Division's intermediated volumes decreased compared to the end of December 2012 (-1%). In detail, direct deposits from banking business, amounting to 111,976 million euro, increased by 4.5%, mainly due to specific commercial operations aimed at increasing corporate deposits by leading financial institutions and large Italian and international corporate groups. Loans to customers, amounting to 96,475 million euro, decreased by 6.8%, resulting from the lesser use of cash by Italian and international corporate customers, particularly Global Industries, only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Global Industries Department	The Department is responsible for managing relations with the 200 corporates (of which 50 are Italian and 150 international) with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer goods)
Corporate Italia Department	The Department is responsible for serving approximately 700 Italian large and medium corporates, that are not part of either the Global Industries or Public Finance segments, by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Public Finance and Infrastructure Department	The Department serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
International Department	The Department is responsible for managing relations with corporates with a foreign-based parent company that are not part of the Global Industries segment, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction Department	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking Department	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 72 branches dedicated to corporate customers and public customers. At the international level, it operates in 30 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

Global Industries and Corporate Italia Departments

In the third quarter of 2013, the Global Industries Department continued developing the internationalisation project by launching commercial operations with the Group's international subsidiary banks that customers operate with, also via closer partnership with local branches and representative offices. To increase the effectiveness of the strengthening of relations with Top Clients, a cross-selling campaign is under way that involves offering Trade and Export Finance, Transaction Banking and Structured Export Finance products. Lastly, constant focus on developing relations with international large corporate customers continues, also by increasing dialogue and the offering of Investment Banking products.

During the period, the "Start-Up Initiative" continued, through which the Group supports the development of Italian and international technology companies, as a sponsor able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for customers (primarily Italian multinationals and international corporations) continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers.
The operations of the Fondazione Ricerca e Imprenditorialità, established in September 2010, continued. This Foundation aims at bringing together the three main components of technological innovation: scientific research, industry and banking.
The operations of the Foundation aim to: promote research-driven businesses; select innovative small businesses that deserve to be supported in their growth, so that they reach a level of development that attracts operators and investors; promote knowledge among high-tech SMEs to favour their integration in high-innovation chains of business; develop synergies and partnerships with public entities and other Italian and foreign public or private organisations, in order to enhance and support the growth of innovative businesses. Lastly, in order to promote the development of a culture of innovation and change, partnership continued with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley with the support of NASA and Google and which, thanks to the potential offered by technologies with exponential growth, aims to solve the big challenges awaiting humanity (water, food, climate change, sustainability, etc.). The partnership consists of an exchange of knowledge via the participation of a number of the Division's top managers in the executive programmes held in Silicon Valley, along with joint events organised in Italy.

Public Finance and Infrastructure Department

In the third quarter of 2013, with the aim of promoting the development of large domestic infrastructure projects, in partnership with Banca IMI the Department continued supporting large motorway projects, such as the Milano East ring outer ring-road, the Pedemontana Lombarda, the Brebemi project (Brescia-Bergamo-Milano motorway) and the Brescia-Verona-Vicenza-Padova motorway, renewing the loan granted in a pool with other banks necessary to complete the south section of the Valdastico motorway.
In the area of healthcare, universities and scientific research, the construction of the new Monselice Hospital and parking lot was financed according to the project financing approach.
The works for the improvement of public services and utilities included, in the water service sector, the loan granted to Acquedotto Pugliese, a government-owned company that manages the Integrated Water Service in the region and is the number two Italian operator in the sector, to support its investments. In the pool of banks participating in the operation, Intesa Sanpaolo acted as lead manager and Banca IMI as agent.
Support continued to be provided for Public Administrations through the without recourse factoring of receivables claimed by suppliers and subject to specific agreements signed with a number of local entities throughout Italy, including the Provinces of Matera, Alessandria and Nuoro. Furthermore, significant credit lines were allocated to Mediofactoring for the without recourse factoring of trade receivables due from the central PA and, selectively in relation to the risk profiles and outstanding exposures, from the regional healthcare systems.
Urban and local development projects included especially significant activity in the port logistics sector, where the disbursements to the Salerno and Piombino Port Authorities continued for the execution of infrastructure works.
In the area of streamlining and innovating banking services for the management of current operations, assistance was provided to GTT-Gruppo Torinese Trasporti to introduce an innovative electronic ticketing system. With this system, using a smart card with a microchip, users can access any public transport in the region, improving the accessibility of transport services (local public transport, parking lots, bikesharing, carsharing) to citizens, preventing evasion and fraud, reducing operating costs and contributing to increasing customer loyalty to the sustainable mobility systems implemented in the Piedmont area.

International Department

The International Department directly covers 29 countries through 13 wholesale branches, 17 representative offices, 2 subsidiary banks and one advisory firm. In the third quarter of 2013, as confirmation of the Group's growing commitment to supporting companies that operate or intend to operate on international markets, international development projects continued with the aim of increasing attention to and coverage of relations with Italian and international customers and further expanding service content while also improving quality. The expansion plan also continued through investments on the fastest-growing and most attractive international markets. During the quarter, the new branch in Istanbul was registered and the bureaucratic process to obtain the banking licence in Brazil continued, in line with the development plan for the international network.
The Department is responsible for:

- **Société Européenne de Banque**, which recorded net income of 130 million euro in the first nine months of 2013, up on the same period of 2012 (+10.8%), due to the increase in revenues (+8%) and the reduction in operating costs (-2.6%);
- **Intesa Sanpaolo Bank Ireland**, which recorded net income of 62 million euro, a significant increase compared to the first nine months of the previous year (+62.4%), mainly due to growth in operating income (+38.7%), driven by higher net interest income, which more than offset the increase in costs (+13.6%), and by the recoveries on loans.

Global Banking & Transaction

In the third quarter of 2013, the Department, through the Western FIG (Financial Institution Group) and Eastern FIG business units, implemented a careful credit risk management policy by selecting counterparties and favouring collateralised lending transactions where the collateral is not tied to counterparty risk.
In the Western FIG segment, the analysis of the Group presence with banking customers in transactional services continued, to identify the most important opportunities for development for the Group, both in Italy and internationally. Concurrently, the expansion of Trade Finance regarding international customers continued. Specifically, secondary market operations with the leading international bank counterparties (Deutsche, UBS, Bofa) continued to increase.
During the third quarter, the Eastern FIG segment provided support to Group customers for the purpose of expanding the scope of customers and the geographical areas in the countries where risks are assumed. The careful monitoring of political and financial developments in Mediterranean Africa continued, where the Group has historically operated in a selective manner, and transactions were finalised mainly in Egypt, through the subsidiary Bank of Alessandria, and in Morocco.
In Asia significant commercial lending to Chinese and Indian banking counterparties continued.
In the Structured Export Finance sector, the gradual recovery of operations in emerging markets continued, through the closing of transactions with pre-export structures for African exporters (Ghana and Angola) and equivalent transactions with Russian and South American counterparties are being analysed. An example of effective cooperation between the Parent Company's international network and the International Subsidiary Banks Division is the finalisation of an umbrella facility trade finance transaction for an oil producer in Eastern Europe, with support from the London branch, extended to the subsidiaries in Croatia and Hungary. As part of operations backed by SACE, during the period the finalisation of three export credit transactions continued: Danieli & C to the Indian group Bhushan Power and Steel, financed jointly with Deutsche Bank; Superjet International, part of the Finmeccanica Group, to the Mexican company Interjet and, lastly, Toscotec to the Chinese company Guangxi Huamei Paper Group Co. The projects to finance a refinery in Turkey and a Latin American oil company are in an advanced stage of negotiations, while interest has been expressed in analysing two projects relating to Egypt, whose exporters are leading Italian companies.
In Transaction Banking, start-up activity for corporate and financial institution customers was consolidated through the new Inbiz Web channel for both cash business and trade transactions (L/C, domestic and international guarantees and remittances), and a new offer of online payment services, “Mybank”, was developed, allowing customers to use e-commerce services from their own Internet portals. In addition, particularly intense activity was carried out in support of the migration to SEPA, the new pan-European payment scheme that envisages a profound transformation of the domestic and international credit transfer and direct debit payment systems and will require commitment from the Bank until the migration, planned for February 2014. Initiatives with the International Subsidiary Banks Division also continued during the period, aimed at identifying synergies in terms of the transactional offer and acceleration of cross-selling for domestic and international customers. Lastly, a new product, called CBILL, was presented to a small, selected group of customers (“large billers”). Through this product promoted by the Italian Banking Association, debtor users can check the due register and pay - via multiple channels such as home banking, ATM, mobile, etc. - for utility bills and bills for services deriving from an administrative obligation, following paper or electronic receipt of a payment notice.
Lastly, as regards Local Custody Securities Services and post trading services, in the third quarter of 2013 the commercial initiatives aimed at acquiring new business continued through agreements with two leading international banks, and the second stage of the project to acquire the portfolio of an important captive customer was launched. Cross-selling activity with Banca IMI continued, with the aim of acquiring execution/custody contracts. The activities related to the global custody project in partnership with State Street also continued, with the objective of marketing custody services for international securities to third party intermediaries and to domestic banks, which resulted in the activation of the onboarding of the first two customers that will migrate by the end of the year. The following also continued: meetings aimed at acquiring new medium-sized Italian customers with a Target2Securities focus, as part of the project officially launched by the Bank; the activities supporting Banca IMI for participation in international markets and the related post trading services, as well as the activation of new relationships for third party pledge holder services, also for securitisations, to support Structure Finance and Capital Markets activities of Banca IMI. In the area of network management, i.e. oversight of Intesa Sanpaolo’s sub-depositaries, analyses continued and due diligence activity is currently being carried out in relation to several countries identified as being high priorities, in view of reducing management costs and subsequently re-pricing the services rendered to internal and external customers.

Merchant Banking

As part of the redefinition of the organisational structure of the Intesa Sanpaolo Group, Institutional Investments, which were previously under the Merchant Banking Department, were placed under the powers and duties of the Chief Governance Officer. The investments being transferred amounted to 1.6 billion euro as at 30 September 2013.
Net of that item, at the end of September 2013, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 1.4 billion euro, of which 0.9 billion euro was invested in companies and 0.5 billion euro in private equity funds.
In the third quarter, the "Emisys Development" initiative was launched through the subsidiary IMI Investimenti, co-sponsored by the Fineurop Group. This is a closed-end fund dedicated to hybrid equity instruments for small and medium-sized enterprises. This project is the logical continuation of the prior Mezzanove fund, previously sponsored by the Intesa Sanpaolo Group.
Private equity fund management, carried out by the subsidiary IMI Fondi Chiusi SGR, continued to invest in venture and seed capital funds. The Atlante Ventures fund also carried out its first disinvestment.

Structured Finance

In the third quarter of 2013 Banca IMI structured various financing transactions in collaboration with the relation business units of the Corporate and Investment Banking Division and the Banca dei Territori Division in support of Group customers, specifically including the loan to RCS Mediagroup to support the refinancing and recapitalisation measure of the publishing group.
In the real estate segment, Banca IMI continued intense origination activity aimed at structuring credit facilities in support of investments in the sector of reference by offering a full range of financial products dedicated to real estate and providing specialised advice for the real estate segment. The structuring of loans included the disbursement of the medium-term loan for a development project of social construction work managed by Polaris SGR through the "Parma Social House" real estate fund and the disbursement of the loan to the Augusto Fund to support the acquisition of a portfolio of 10 supermarkets in Toscana and Lazio, leased to Unicoop Tirreno S.c.
With regard to advisory services, activities continued with the aim of upgrading a hotel located in Venice and placing units of the Boccaccio real estate fund managed by Aedes BPM Real Estate SGR, as well as the negotiations for the optimisation of two real estate development projects in Milan and the activities relating to the disposal of the property complex owned by RCS Mediagroup. New mandates acquired include enhancing the value of a property by transferring it to a real estate fund managed by a leading Italian asset management company.
As regards Loan Agency operations, Banca IMI expanded its business scope both in terms of coverage of customers (by also targeting public corporate customers) and by systematically acting as an agent in debt restructuring plans in major transactions. In the restructured loans segment, activities were performed for the groups Zucchi, Zaleski, Canepa, TAS, Coestra, Pininfarina, Salmoiraghi, Tiscali, Maire Tecnimont and Risanamento.
In Public Finance mention should be made of the pool financing for the design, construction and management of the non-core services of the new single hospital centre for acute care of the Local Health and Social Care Facility No. 17 of Monselice-Este.
Lastly, in the syndicated loans segment, the bank acted as global coordinator, mandated lead arranger and bookrunner in the Salini transaction (financing to support the acquisition of Impregilo) and Doc Generici transaction (acquisition by the Charterhouse fund). At the international level, it participated as bookrunner and mandated lead arranger in the Carrefour transaction (amend to extend).

Proprietary Trading

In the first nine months of 2013, Proprietary Trading reported a positive contribution to the income statement, in terms of revenues, showing growth compared to the same period of 2012.
In detail, structured credit products benefited from the contribution on funded and unfunded positions (European/US ABSs/CDOs) and on the monoline structures of New York, which recorded significant improvement in terms of valuation of the credit risk adjustment. During the period, this segment continued to reduce its exposure to risk positions classified in both the trading book and the loan portfolio. As at 30 September 2013, the risk exposure to structured credit products, European/US funded and unfunded ABSs/CDOs, amounted to 2 billion euro, down compared to 2.2 billion as at 31 December 2012.
Even the Hedge Fund portfolio made a positive contribution to the trading revenues during the first nine months of 2013, specifically due to the positive development of the Equity Long segment, which benefited from the improvement in the financial and real estate sectors. Long positions taken on specific debt restructuring transactions in industrial and consumer sectors also provided a positive contribution. Overall, the contribution to the income statement was in line with the same period of 2012. The Hedge Funds portfolio totalled 704 million euro at the end of September 2013, slightly up compared to 696 million euro at the end of 2012, due to changes resulting from new acquisitions and disposals and from exchange rate valuations.

Investment Banking, Capital Market and primary market

At the end of September 2013, Banca IMI ranked second in Italy in the debt capital market segment, both for total value of issues (13.9 billion euro since the beginning of the year, of which 2.1 billion euro in the third quarter) and for the number of transactions (37, of which 16 in the third quarter).
For Financial Institutions customers, in the domestic market Banca IMI acted as bookrunner for the Tier 2 bond of Intesa Sanpaolo Vita and, in the international market, it acted as bookrunner for the issues of Intesa Sanpaolo Bank Ireland and the Tier 2 issue of UBS, and acted as lead manager for the Tier 2 subordinated issues of Société Générale. In the liability management segment, the bank was dealer manager for Intesa Sanpaolo's two transactions (exchange offer and tender offer). For Corporate customers, the Bank participated as bookrunner in the issues of Eni, Amplifon, A2A and the hybrid issue of Enel. Abroad, Banca IMI acted as bookrunner for various issues, including those by: RWE, Gas Natural Fenosa, Deutsche Bahn, Air Product and Kering. In the high-yield segment, the Bank distinguished itself with the Salini-Impregilo, Gamenet and TeamSystem issues. In the area of liability management it also acted as dealer manager in the cash tender offer of senior unsecured bonds of Iberdrola. Lastly, for issuers in the sovereign, supranational & agencies segment, in the government-related corporates segment Banca IMI acted as bookrunner for the issues of Poste Italiane and Ferrovie dello Stato Italiane. Both of these transactions were highly successful and represented the return of those issuers to the equity market with benchmark securities. Specifically, the bank also assisted Poste Italiane as arranger in setting up the Euro Medium Term Note Programme.
In the equity capital market segment, Banca IMI maintained its usual coverage of the market, with the goal of holding a position of leadership on the domestic market and growing its presence in the international market.
In the third quarter of 2013 it acted as co-bookrunner for the placement of the Buzzi Unicem bond loan convertible into shares.
In the area of capital increases, Banca IMI acted as joint global coordinator and joint bookrunner for the Maire Tecnimont capital increase, a transaction that is part of the more general financial restructuring of the company, and as guarantor for the Barclays Plc capital increase. As regards accelerated bookbuilding, it acted as joint bookrunner for the transaction executed by Mandarin Capital to sale the share capital of IMA.
The bank also confirmed its leadership in the takeover bid/delisting segment, overseeing the takeover bids launched by Lauro Sessantuno on Camfin and by Libero Acquisition on Dada in the role of financial advisor and the intermediary responsible for coordinating subscriptions. Furthermore, as part of the industrial and corporate reorganisation launched by Autogrill for the

purpose of separating the food & beverage and travel retail & duty free business segments, the bank acted as sponsor of World Duty Free for the listing of its ordinary shares on the MTA market (Mercato Telematico Azionario) of Borsa Italiana. It also acted as sponsor of the IVS Group in the transfer of the listing of its shares from the MIV segment to the MTA. Lastly, it assisted Exor in the conversion of preferred and savings shares into ordinary shares. As at 30 September 2013, Banca IMI was acting as specialist or corporate broker for around 50 companies listed on the Italian market, thus continuing its leadership in this market segment.
In its M&A Advisory activity, Banca IMI advised: Autogrill, in the spin-off and listing of World Duty Free, among the leading global operators in airport retail, present in 20 countries; Exor, in the conversion of preferred and savings shares into ordinary shares; Maire Tecnimont, in the sale of the investments of the Infrastructure & Civil Engineering division; Finmeccanica, in the sale of Ansaldo Energia to Fondo Strategico Italiano; the Carlyle Group, in the acquisition of Marelli Motori, a leading manufacturer of engines and electric generators. It also advised Rhone Capital in the aggregation of the Marco Polo Expert Group with Unieuro and, lastly, Ardian Capital and Consilium SGR in the sale of Rollon to IGI SGR and Chequers Capital, a transaction which is expected to be concluded by the end of the year. Lastly, for Financial Institutions customers, Banca IMI acted as financial advisor of Veneto Banca for the issue of its first convertible bond with soft mandatory characteristics, completed by an unlisted Italian bank.

International Subsidiary Banks

(millions of euro)

Income statement	30.09.2013	30.09.2012	Changes	
			amount	%
Net interest income	1,162	1,224	-62	-5.1
Dividends and profits (losses) on investments carried at equity	26	24	2	8.3
Net fee and commission income	404	401	3	0.7
Profits (Losses) on trading	79	34	45	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-58	-53	5	9.4
Operating income	**1,613**	**1,630**	**-17**	**-1.0**
Personnel expenses	-436	-457	-21	-4.6
Other administrative expenses	-336	-316	20	6.3
Adjustments to property, equipment and intangible assets	-89	-97	-8	-8.2
Operating costs	**-861**	**-870**	**-9**	**-1.0**
Operating margin	**752**	**760**	**-8**	**-1.1**
Net provisions for risks and charges	-3	-4	-1	-25.0
Net adjustments to loans	-469	-539	-70	-13.0
Net impairment losses on other assets	-60	-33	27	81.8
Profits (Losses) on investments held to maturity and on other investments	-10	2	-12	
Income (Loss) before tax from continuing operations	**210**	**186**	**24**	**12.9**
Taxes on income from continuing operations	-123	-128	-5	-3.9
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**87**	**58**	**29**	**50.0**

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Loans to customers	27,876	29,312	-1,436	-4.9
Direct deposits from banking business	30,596	31,163	-567	-1.8

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

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.

It should be noted that the figures presented in the table and commented upon below exclude the results of VUB Asset Management, PBZ Invest and CIB IFM, the three asset management companies, located in Slovakia, Croatia and Hungary, respectively, which have been included in the scope of Eurizon Capital.
The comparative figures have been restated on a consistent basis by applying the adjustments required to reflect the effects of this change in scope retroactively.

In the first nine months of 2013, the Division’s operating income was down 1% compared to the same period of the previous year, amounting to 1,613 million euro. A detailed analysis shows that net interest income came to 1,162 million euro, a decrease compared to 1,224 million euro in the first nine months of 2012 (-5.1%), mainly due to the trends reported by Privredna Banka Zagreb (-21 million euro), CIB Bank (-13 million euro), Banca Intesa – Russia and Bank of Alexandria (-16 million euro each) and Pravex Bank (-9 million euro), only partly absorbed by the increase recorded by VUB (+14 million euro). Net fee and commission income, amounting to 404 million euro, was essentially stable. Profits on trading, amounting to 79 million euro, more than doubled due to a larger contribution from VUB Banka (+35 million euro) and CIB Bank (+14 million euro), only partly offset by the decrease by PBZ (-10 million euro).
Operating costs, amounting to 861 million euro, were down slightly compared to the first nine months of 2012 (-1%). As a result of the above revenue and cost trends, the operating margin came to 752 million euro, down 1.1%. Conversely, income before tax from continuing operations, amounting to 210 million euro, was up compared to 186 million euro in the same period of the previous year (+12.9%), benefiting from the lower adjustments to loans (-70 million euro), which more than offset the higher net impairment losses on other assets (+27 million euro). The Division closed the first nine months of 2013 with a net income of 87 million euro, up compared to 58 million euro reported in the same period of the previous year (+50%).

On a quarterly basis, the third quarter of 2013 reported an operating margin up 9.7% on the second quarter, due to the strength of revenues (+0.6%) and the reduction in operating costs (-6.9%). Income before tax from continuing operations and net income grew significantly compared to the previous quarter, benefiting from the reduction in net adjustments to loans and net impairment losses on other assets.
The Division's intermediated volumes decreased compared to the end of December 2012 (-3.3%) owing to the decrease in loans to customers (-4.9%) and, to a lesser extent, to amounts due to customers under direct deposits (-1.8%), mainly from banking business.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,461 branches in 12 countries

South-Eastern Europe

In the first nine months of 2013, the operating income of the **Privredna Banka Zagreb Group** amounted to 314 million euro (-9.4% compared to the same period of the previous year), mainly due to the decrease in net interest income and profits on trading. Operating costs fell to 144 million euro (-4.9%), primarily attributable to other administrative expenses. The operating margin came to 170 million euro, down 12.9% on the first nine months of 2012. Income before tax from continuing operations, amounting to 108 million euro, showed a decrease of 20.9%. Lastly, net income came to 85 million euro (-22.7%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 113 million euro, up 7.5% compared to the first nine months of 2012. Operating income increased by 1.2% due to the performance of net interest income and profits on trading. Operating costs decreased by 8%, with savings spread through all items. Income before tax from continuing operations amounted to 71 million euro, compared to 66 million euro in the same period of the previous year (+7.9%), while net income stood at 60 million euro (+1%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first nine months of 2013 with an operating margin of 11 million euro, up by 12.9% on the same period of 2012. This performance was due to the increase in operating income (+5.6%), while operating costs remained stable. Income before tax from continuing operations totalled 6.6 million euro, up 14.5%. Net income showed the same trend, amounting to 5.9 million euro (+14.3%).

Intesa Sanpaolo Bank Albania reported an operating margin of 23 million euro, up 24.3% on the first nine months of 2012, due to an increase in revenues (+14.5%) and a decline in operating costs (-2%). Net income amounted to 9.6 million euro, down 6.3% compared to the same period of 2012 due to the increase in adjustments to loans.

The companies operating in Romania (**Intesa Sanpaolo Bank Romania** and ISP Leasing Romania) recorded a total operating margin of 14 million euro, up 43.4% on the same period of the previous year. This performance was due to a significant decrease in operating costs (-15.2%), attributable to administrative and personnel expenses, accompanied by substantially stable operating income (+0.7%). The companies reported a net loss of 3 million euro, compared to a net loss of 23 million euro in the same period of 2012, mainly due to lower adjustments to loans (-43.9%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 60 million euro, down 6.2% on the first nine months of 2012 due to the decline in all the main income components. Operating costs were down (-5.3%). Following lower adjustments to loans and impairment losses on other assets, net income amounted to 8.8 million euro, up compared to the same period of the previous year (+68.8%).

The **VUB Banka** Group achieved an operating margin of 204 million euro, up 22.2% compared to the same period of 2012, due to an increase in operating income (+11.8%), mainly attributable to profits on trading and net interest income. Operating costs increased slightly (+0.8%). Net income, equal to 109 million euro, showed a 32.9% increase on the first nine months of the previous year.

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties of the country, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The **CIB Bank Group** showed operating income of 211 million euro, up 5.1% on the first nine months of 2012. This performance was primarily attributable to the increase in net fee and commission income (+9.1%) and the greater contribution from profits on trading. Operating costs rose by 11.2% as a result of the increase in administrative expenses. Adjustments to loans decreased by 22%, while impairment losses on other assets came to 56 million euro. Net income showed a negative balance of 231 million euro, compared to a net loss of 244 million euro posted in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported net income of 6.5 million euro, compared to 23 million euro in the first nine months of 2012 (-72%). Operating income decreased (-13.2%), mainly due to the decline in net interest income (-16.8%), which absorbed the growth in profits on trading (+22.9%). Operating costs were down by 1.7%. Net adjustments to loans amounted to 20 million euro, almost double compared to the first nine months of 2012.

The operating margin of **Pravex Bank** in the first nine months of 2013 was a negative 5.9 million euro, down compared to +1.7 million euro in the same period of 2012, mainly due to a decrease in operating income (-25.2%) across all main components. Operating costs decreased by 6.9% compared to the same period of 2012 due to savings on administrative and personnel expenses. After net adjustments to loans of 18 million euro (compared to 34 million euro in the first nine months of 2012), Pravex Bank reported a net loss of 27 million euro, compared to net loss of 31 million euro in the same period of the previous year.

Bank of Alexandria reported an operating margin of 105 million euro, down by 9.5% on the first nine months of 2012. Operating income, at 211 million euro, decreased (-7.2%) mainly as a result of lower net interest income (-8.6%). Operating costs reported a decrease (-4.7%) following the decline in personnel expenses and amortisation and depreciation, which more than offset the increase in administrative expenses. Following net adjustments to loans of 27 million euro, down by 21.1% on the same period of 2012, net income amounted to 56 million euro, in line with the same period of the previous year.

Other companies

In the first nine months of 2013, the operating income of **ISP Card** amounted to 27 million euro (+5.2% compared to the same period of the previous year) primarily as a result of the increase in net fee and commission income (+5.1%). Operating costs showed an increase attributable to personnel expenses and amortisation and depreciation, amounting to 25 million euro (+2.9%). The net income was 2.1 million euro, compared to 1.6 million euro posted in the same period of 2012 (+36.4%).

Eurizon Capital

(millions of euro)

Income statement	30.09.2013	30.09.2012	Changes	
			amount	%
Net interest income	1	2	-1	-50.0
Dividends and profits (losses) on investments carried at equity	12	9	3	33.3
Net fee and commission income	233	183	50	27.3
Profits (Losses) on trading	2	2	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	3	-3	
Operating income	**248**	**199**	**49**	**24.6**
Personnel expenses	-32	-38	-6	-15.8
Other administrative expenses	-43	-46	-3	-6.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-75**	**-84**	**-9**	**-10.7**
Operating margin	**173**	**115**	**58**	**50.4**
Net provisions for risks and charges	3	-3	6	
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	**176**	**112**	**64**	**57.1**
Taxes on income from continuing operations	-40	-21	19	90.5
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-26	-29	-3	-10.3
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-3	-2	1	50.0
Net income (loss)	**107**	**60**	**47**	**78.3**

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Assets under management	157,843	145,382	12,461	8.6

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

In the first part of 2013, as part of the project to establish a regional asset management hub in the Eastern European market, in a joint venture with the International Subsidiary Banks Division, work began on planned activities for the creation of the hub and the acquisition of control by the Luxembourg-based Eurizon Capital S.A. of the three companies involved in the rationalisation transaction, located in Slovakia (VUB Asset Management), Croatia (PBZ Invest) and Hungary (CIB IFM).
In further detail, on 14 January 2013 the subsidiary Eurizon Capital SA acquired 100% of CIB IFM (a Hungarian company). On 31 January 2013 the shareholders' meeting of VUB Asset Management (VUB AM) approved a capital increase reserved for Eurizon Capital SA and Privredna Banka Zagreb (PBZ), subscribed by the two companies in March by means of the contribution of 100% of CIB IFM (in the case of Eurizon Capital SA) and PBZ Invest (in the case of PBZ). The transaction was finalised with the issue and delivery of the new shares of the beneficiary of the contribution on 16 April 2013. Lastly, with the aim of acquiring control of the asset management hub, on 19 April 2013 Eurizon Capital SA acquired an additional 21.56% interest in VUB AM from PBZ, bringing its total interest to 50.12%.
The figures shown in the table and commented on below were reconstructed on a consistent basis, adjusting historical figures as appropriate to reflect the effects of these changes in scope retroactively.

Overall, total assets managed by Eurizon Capital as at the end of September 2013 came to 157.8 billion euro (net of duplications), up by 8.6% from the beginning of the year as a result of net inflows and, to a lesser extent, positive financial market performance. In the first nine months of 2013, net inflows came to 9.8 billion euro, driven by strong performance of Italian mutual funds, captive insurance products in relation to placement of class I policies, retail portfolio management schemes and foreign funds and SICAVs. Eurizon Capital's share of assets under management was 14.5% as at 30 September 2013 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), from 14.4% at the end of December 2012.
Operating income came to 248 million euro in the first nine months of 2013, up by 24.6% compared to the same period of the previous year, benefiting from the positive performance of net fee and commission income (+27.3%), primarily driven by the trend

in average assets under management, which considerably exceeded the level for the first nine months of 2012, as well as by the better product mix, which yielded significant inflows to higher-margin mutual funds. Operating costs decreased (-10.7%) as a result of targeted cost containment measures, specifically on personnel and administrative expenses, also in relation to the new VAT regime envisaged by the "Stability Law for 2013" concerning the separation of assets relating to portfolio management. As a result of the above revenue and cost trends, the operating margin came to 173 million euro, up 50.4% compared to the same period in 2012. Eurizon Capital closed the first nine months of 2013 with net income of 107 million euro (+78.3%).
On a quarterly basis, the third quarter of 2013 showed a decrease of 13.3% in income before tax from continuing operations compared to the second quarter, due to a drop in operating income (-6.9%) and, significantly, in net fee and commission income (-8.4%), which more than offset cost savings (-1.9%). Net income showed a similar performance, down by 14.3% on the previous quarter.

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

With regard to products created and managed, during the third quarter of 2013, Group companies continued in the rationalisation of existing ranges. It is specifically worth mentioning the merger by incorporation of the "Eurizon Medium Volatility" and "Eurizon Total Return" funds into the "Eurizon Low Volatility" fund, taking effect from 1 August 2013, and that of the "Bond Selection 2013-1" fund into "Eurizon Opportunità - Obbligazioni Flessibile", both Luxembourg funds.
In relation to new business, during the period Eurizon Capital continued to create and place new versions of products in the following ranges: "Gestion Attiva", comprising a set of three Italian funds (Classica, Dinamica and Opportunità) that aim to optimise yield according to a predefined risk level and fund term; "Guida attiva", dedicated to third party placement networks; and "Cedola Attiva", specifically through the "Top" product which offers flexible management of the equity component (variable exposure from 30% to 100%) on the European and US equity markets, based on a "contrarian" approach, namely on investment principles that may go in the opposite direction of market sentiment. The subsidiary Epsilon also launched the process of directly creating Italian funds with a defined investment cycle and placement window. Distribution of the first products with these characteristics, belonging to the "Epsilon Flexible Forex Coupon" range, began on 9 July.
Lastly, within the Luxembourg "Investment Solutions by Epsilon" multi-segment fund, new windows were opened in the "Forex Coupon" (2 segments) and "Valore Cedola x 5" (1 segment) sub-fund families.

Banca Fideuram

(millions of euro)

Income statement	30.09.2013	30.09.2012	Changes	
			amount	%
Net interest income	99	113	-14	-12.4
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	469	413	56	13.6
Profits (Losses) on trading	15	20	-5	-25.0
Income from insurance business	65	96	-31	-32.3
Other operating income (expenses)	-3	-1	2	
Operating income	**645**	**641**	**4**	**0.6**
Personnel expenses	-91	-102	-11	-10.8
Other administrative expenses	-127	-142	-15	-10.6
Adjustments to property, equipment and intangible assets	-11	-11	-	-
Operating costs	**-229**	**-255**	**-26**	**-10.2**
Operating margin	**416**	**386**	**30**	**7.8**
Net provisions for risks and charges	-49	-68	-19	-27.9
Net adjustments to loans	3	-1	4	
Net impairment losses on other assets	-6	-21	-15	-71.4
Profits (Losses) on investments held to maturity and on other investments	1	-10	11	
Income (Loss) before tax from continuing operations	**365**	**286**	**79**	**27.6**
Taxes on income from continuing operations	-93	-100	-7	-7.0
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-66	-66	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**205**	**120**	**85**	**70.8**

(millions of euro)

	30.09.2013	31.12.2012	Changes	
			amount	%
Assets under management	63,654	59,157	4,497	7.6
Direct deposits from banking business	7,244	6,672	572	8.6
Direct deposits from insurance business and technical reserves	17,620	14,169	3,451	24.4

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

Assets under management and assets under administration of the Banca Fideuram Group at the end of September 2013 amounted to 81.8 billion euro (of which 63.6 billion euro in assets under management and 18.2 billion euro in assets under administration), up 3.2% since the beginning of the year. This trend is attributable to the positive performance in terms of net inflows and, to a lesser extent, to the strong performance of the asset market.

In detail, assets under management, which represent more than three quarters of the aggregate, were up 7.6% compared to the balance at the end of 2012, thanks to the positive development of the life insurance and mutual funds segment. Assets under administration, on the contrary, reported a decrease compared to the amount as at 31 December 2012 (-9.7%), confirming the process of conversion into assets under management which began in 2013. In the first nine months of 2013, the Banca Fideuram Group's distribution networks achieved net inflows of 2.1 billion euro, marking an improvement of 0.6 billion euro compared to the same period of the previous year. The breakdown by aggregate shows an excellent performance of assets under management, which showed sharp growth in all sub-segments compared to the first nine months of 2102 (+2.7 billion euro). Conversely, net outflows of assets under administration increased by 2.1 billion euro compared to the same period of the previous year.

Direct deposits from banking business amounted to 7,244 million euro, up by 8.6% from the beginning of the year, primarily as a result of deposits in a current account of institutional customers.

Direct deposits from insurance business, amounting to 17,620 million euro, also increased (+24.4%), essentially attributable to the trend in financial liabilities of the insurance segment designated at fair value.

The number of private bankers came to 5,083 as at 30 September 2013, substantially equivalent to the end of 2012 (5,082).

The operating margin for the first nine months of 2013 stood at 416 million euro, up 7.8% compared to the same period of the previous year, driven by the stability of operating income (+0.6%), and sharply declining operating costs (-10.2%).

The performance of revenues is attributable to net fee and commission income of 469 million euro, up 13.6%. In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, increased compared to the first nine months of 2012 owing to the growth of average assets under management. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents approximately 8% of net fee and commission income, decreased compared to the first nine months of 2012, mainly due to lower fee and commission income on banking services and securities, which more than offset the higher fee and commission income on the placement of mutual funds and insurance products. Performance fees, almost fully recognised on an annual basis, amounted to 6.2 million euro and were almost entirely attributable to the positive performance of the funds underlying the unit-linked policies placed by the group with respect to the benchmark of reference. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives to the network of private bankers for positive results achieved in the period in terms of net assets under management and to commercial initiatives to support growth. Conversely, net interest income declined (-12.4%), as a result of the downtrend in interest rates and the lesser flexibility of the cost of funding. However, looking at the quarterly performance of net interest income, there has been a positive trend since the beginning of the year, primarily owing to the combined effect of the reduction in the cost of funding and the reinvestment of liquidity deriving from redeemed securities in bonds with higher profitability. Among other income components, profits on trading declined (-25%), along with income from insurance business of Fideuram Vita, which dropped from 96 million to 65 million euro (-32.3%). This outcome is due to worsening of the net investment result, mainly attributable to the various events impacting the fair value measurement of the investment portfolio of the separate management portion and of the free capital. Provisions for risks and charges decreased by 27.9% due to discontinuation of a network retention plan at the end of 2012 and the lesser contractual indemnities to private bankers. Income before tax from continuing operations amounted to 365 million euro, up 27.6%, benefiting from the reduction in impairment losses on other assets (-71.4%). Lastly, following the attribution of the effects of purchase price allocation on the income statement (66 million euro), Banca Fideuram closed the first nine months of 2013 with net income of 205 million euro, up 70.8% compared to the first nine months of the previous year.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	96 branches in Italy with 5,083 private bankers

Development of new products in the third quarter of 2013 was mainly aimed at consolidating flexible financial and insurance solutions, adapting to the continuous change of the reference scenario and able to meet the requirements of customers, in light of changes in the economic-social cycle. The activity involved both the asset management and the banking segments, aiming development towards a specific customer target with distinctive services.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 1,154 million euro in the first nine months of 2013, compared to operating income of 72 million euro for the same period of the previous year. This performance was primarily due to the marked deterioration in net interest income, partly owing to the increased cost of holding liquidity, correlated chiefly to lower money-market returns, as well as in profits (losses) on trading, which in the first nine months of 2012 had benefited from greater non-recurring income deriving from the buy-back of own securities. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 1,386 million euro, compared to 433 million euro reported in the same period of the previous year.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the third quarter of 2013 Intesa Sanpaolo's market shares in terms of payments on the Target2 platform of the Eurosystem held steady, confirming its role of "critical participant" as a system-wide bank. The direct access method to the new securities settlement system of the Eurosystem was formalised in mid-October. This system will see the Bank playing a leading role in the migration envisaged for mid-2015 and for which the works have begun in the three project areas (Cantiere Business, IT and Operations). The launch of the Eurosystem project continued during the period, relating to collateralised markets, with the use of cross-border triparty services for management and movement of the securities used as collateral in credit transactions for holders of a pool account with the Bank of Italy.

After a weak start of the year due to the post-electoral stalemate, the subsequent recovery coinciding with the ECB rate cuts in May and the rising interest rate curves of the main currencies at the end of June, in the third quarter the money market saw a reduction in volatility on the short-term curve. The changed communications strategy of the ECB, which stated that it intended to leave official rates at the current level for a longer period, favoured the stability of the Eonia fixings, despite the reduction of excess liquidity in the Eurosystem. The yields of long-term curves were primarily impacted by the expectations of the start of the tapering of monetary stimulus by the Fed and the geo-political tensions in the Middle East. At the start of September, peaks were reached in relation to the Bund (over 2%) and Treasury (around 3%), to then suddenly backtrack at the end of the quarter.
Short-term liquidity following the complete repayment of Intesa Sanpaolo's portion of the first allotment of ECB LTRO (12 of a total of 36 billion euro obtained in the two allotments), carried out from May to June 2013, continued to be focused on prudent and pro-active principles, maintaining consistent pricing policies of its interbank and securities funding instruments.

With regard to the securities portfolio, the political uncertainties concerning the stability of the government, the resulting doubts associated with the performance of public accounts, the effects of monetary policy and the related news from the Fed suggested prudent, dynamic management of the desk's portfolio. The overall amount of the portfolio was reduced: the positions with shorter maturities, whose profits had been almost fully incorporated, were partially replaced with longer positions, with more generous carry values. Thanks to this replacement and by exploiting the steepening of the curve, the impact on the income statement was optimised and the global risk of the portfolio was contained.
In the same period, the covered bond portfolio was managed with a more dynamic approach, replacing shorter-term positions with securities mainly purchased on the primary market, with longer maturities and more profitable spreads. The purchases were mainly concentrated on French and core country issuers, in view of a greater diversification of risks.

Funding

Medium/long-term funding recorded a slowdown in deposits with typical instruments of the segment.
In the domestic market in the third quarter of 2013, the total amount of Group securities placed through its own and third-party networks came to 3.9 billion euro. Among placed securities, there was a prevalence of plain vanilla securities (58.5%), while the weight of structured bonds (mainly structured interest rate securities tied to indices) amounted to 41.5%. A breakdown by average maturity shows a concentration of 2, 3 and 4-year maturities (with a weight of 51.7%), whilst 48.3% is represented by securities with maturities of 5 and 6 years.
On international markets, unsecured institutional funding transactions were completed for a total of over 5 billion euro through the issue of bonds placed on both the Euromarket and the US market and loans from German institutional investors. Specifically, in the third quarter Intesa Sanpaolo Bank Ireland issued an 18-month senior bond, guaranteed by the parent company, for 650 million euro.
In the third quarter of 2013 two new Liability Management transactions were finalised. In July, the buy-back of senior notes was completed, for a total of 1.5 billion euro, which generated a contribution for the Group, including the positive impact of the unwinding of interest rate derivatives, of approximately 106 million euro in income before tax and approximately 71 million euro in net income, equal to about +2.5 basis points of the Core Tier 1 ratio. In September, a transaction was finalised for the exchange of Upper Tier 2 and Lower Tier 2 subordinated notes with new "Tier 2" subordinated notes. Following the completion of the exchange, the Group recorded a gain, including the positive impact of the unwinding of hedging derivatives, of approximately 87 million euro in income before tax and approximately 58 million euro in net income, equal to around +2 basis points of the Core Tier 1 ratio. The definitive amount of the new "Tier 2" subordinated notes issued was 1,445 million euro. During the quarter a 2.25% fixed-rate covered bond was issued for 750 million euro, set to mature in 5 years, under the issuance programme guaranteed by ISP CB Ipotecario backed by mortgage loans, listed on the Luxembourg Stock Exchange, which received an A2 rating from Moody's.

Operating ACM (Active Capital Management) and Structured Operations

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

In the area of operating ACM and credit portfolio management, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". In the third quarter of 2013, there was an increase in allocated assets of approximately 100 million euro. At the end of September 2013, the gross outstanding amount lodged as pledge by the Group was about 8.7 billion euro.

Risk management

BASIC PRINCIPLES

As described in further detail in the annual financial statements, Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board performs its activities through specific committees set up from among its members, including the Control Committee. The Management Board draws on the activities conducted by managerial committees, particularly the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer who reports directly to the Chief Executive Officer. The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management and compliance guidelines and policies in accordance with company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures oversight of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk.
The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.
The risk measurement and management tools contribute to define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 AND BASEL 3 REGULATIONS - THE INTERNAL PROJECT

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.
The credit risk situation differs by portfolio:
- for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective reporting as at 31 December 2011). Similar authorisation was requested for Banca Monte Parma, submitted to the Supervisory Authority in July 2013. The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010. With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasint and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective June 2010, extended to the former Casse del Centro network banks effective the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012. Similar authorisation was requested for Banca Monte Parma, submitted to the Supervisory Authority in July 2013;
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report, extending to a scope that includes the Parent Company, network banks and Mediocredito Italiano.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.

In April 2013 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

As regards developments in the set of regulations known as "Basel 3", the main changes regard the level and quality of capital of the banks, introduction of the leverage ratio (ratio of Core Tier I and Total Assets, including off balance sheet adjusted for the actual derivatives exposure), changes in the valuation of counterparty risk and the introduction of two new regulatory liquidity indicators (Liquidity Coverage Ratio and Net Stable Funding Ratio). Specifically, during the third quarter of 2013 an application for authorisation to use the internal counterparty risk model for regulatory purposes was submitted to the Bank of Italy in reference to the Parent Company Intesa Sanpaolo and Banca IMI.
In preparing to adopt the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
– achieving the goal of sustainable growth consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
– diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
– efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
– given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
– constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

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

Credit quality

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

(millions of euro)

	30.09.2013			31.12.2012			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	32,857	-20,036	12,821	28,362	-17,160	11,202	1,619
Substandard loans	17,033	-3,996	13,037	14,480	-2,985	11,495	1,542
Restructured loans	2,509	-325	2,184	3,587	-724	2,863	-679
Past due loans	3,104	-330	2,774	3,244	-332	2,912	-138
Non-performing loans	**55,503**	**-24,687**	**30,816**	**49,673**	**-21,201**	**28,472**	**2,344**
Performing loans	305,901	-2,413	303,488	333,989	-2,550	331,439	-27,951
Performing loans represented by securities	15,709	-342	15,367	17,108	-394	16,714	-1,347
Loans to customers	**377,113**	**-27,442**	**349,671**	**400,770**	**-24,145**	**376,625**	**-26,954**

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

The table above shows an increase for the first nine months of 2013 of non-performing loans, net of adjustments, by 2.3 million euro (+8.2%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 7.6% to 8.8%. Coverage of non-performing loans came to approximately 44.5%, higher than the level at the end of 2012 (42.7%) and adequate to account for expected losses, also considering the guarantees securing the positions.
In particular, as at 30 September 2013, doubtful loans net of adjustments, reached 12.8 billion euro, up 14.5% since the start of the year. The impact on total loans was 3.7%, with a coverage ratio of 61%.
Compared to 31 December 2012 and again referring to net exposure, substandard loans increased 13.4% to 13,037 million euro. The growth is largely attributable to one position (Carlo Tassara) previously classified among restructured loans. Substandard loans as a proportion of total loans to customers therefore increased from 3.0% to 3.7%, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.5%, higher than the figure recorded at the end of the previous year.
Restructured loans stood at 2,184 million euro, down compared to the beginning of the year (23.7%), with a coverage ratio of 13% lower than the 20.2% of the previous year. In this case, too, the changes in absolute values and coverage ratios were attributable to the aforementioned position transferred to substandard loans.
Past due loans, net of impairment losses, recorded a decrease of 138 million euro (-4.7%) to 2,774 million euro from 2,912 million euro for the previous year. As a consequence, the percentage of this type of non-performing loans remained unchanged at 0.8% with respect to that recorded at the end of December. The coverage ratio rose to 10.6% from the previous figure of 10.2%.
Performing exposures decreased, from 331.4 billion euro in the previous year to 303.5 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is unchanged compared to the figure recorded at the end of 2012.

MARKET RISKS

TRADING BOOK

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 4% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were local government bonds and positions in interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
Effective the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.
The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

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

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

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.
In the third quarter of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the second quarter of 2013. The average VaR for the period totalled 59 million euro.

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

(millions of euro)

	2013					2012			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	8.2	6.4	11.9	11.7	14.1	16.8	19.6	24.6	24.1
Banca IMI	39.3	31.1	49.6	50.8	59.0	65.7	49.5	55.3	72.9
Total	**59.0**	**37.8**	**47.6**	**62.5**	**73.2**	**82.5**	**69.1**	**79.9**	**97.0**

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

During the first nine months of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased significantly with respect to the values for 2012.

(millions of euro)

	2013			2012		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Intesa Sanpaolo	11.3	6.4	18.1	22.8	17.0	27.5
Banca IMI	49.6	31.1	74.2	59.2	41.7	92.1
Total	**61.0**	**37.8**	**88.5**	**82.0**	**63.5**	**115.4**

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

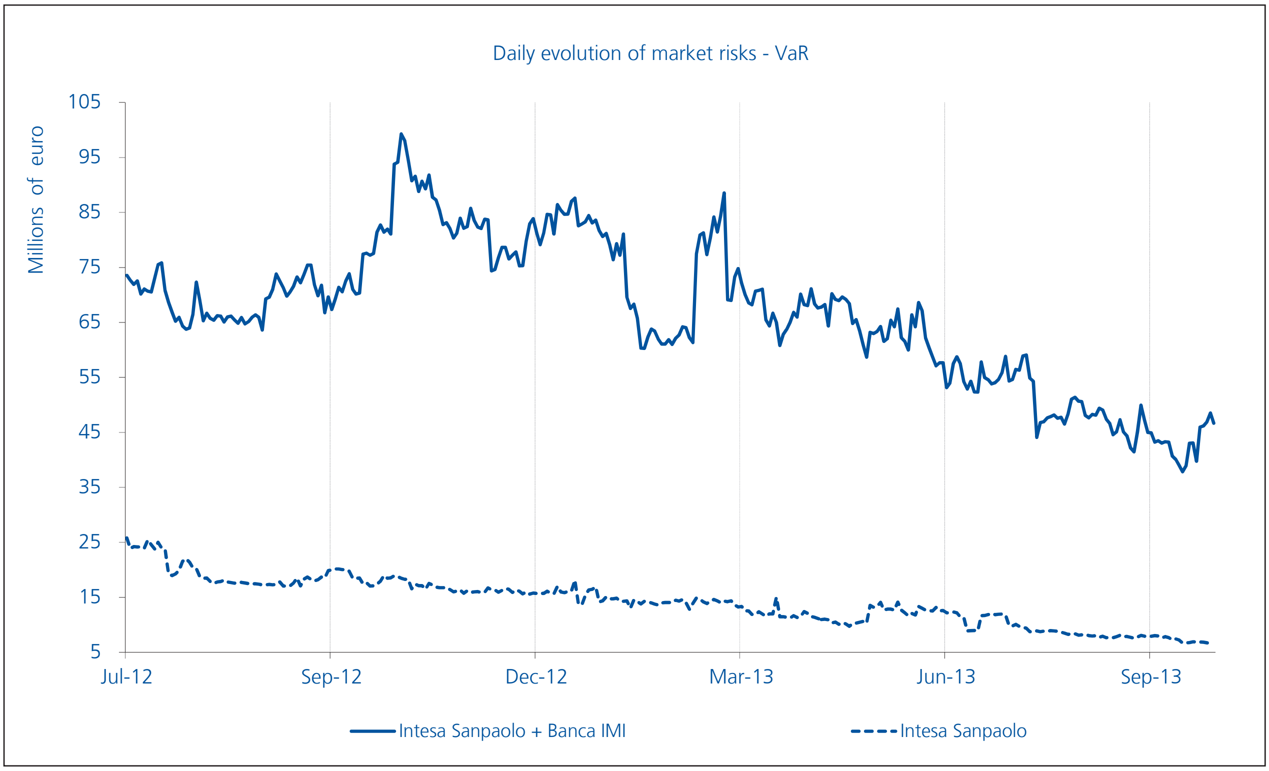
For Intesa Sanpaolo, the breakdown of risk profile in the third quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 35% of total VaR; for Banca IMI, credit spread risk was the most significant, representing 61% of total VaR.

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

3rd quarter 2013	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	11%	35%	12%	35%	6%	1%	0%
Banca IMI	14%	0%	11%	61%	1%	9%	4%
Total	**15%**	**9%**	**12%**	**51%**	**3%**	**7%**	**3%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the third quarter of 2013, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is set out below. The downtrend in risks persists in the third quarter of 2013 due to the rolling effect of scenarios used to calculate the historical simulation and risk reduction for Italy. In September Banca IMI contributed to the slight increase in risks.



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

– on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 16 million euro gain; the opposite scenario would have led to a -15 million euro loss;
– on interest rate exposures, a parallel +70 basis point shift (average) would have led to a 97 million euro loss, whereas a parallel shift in the euro curve with near zero rates would have led to potential gains of 124 million euro;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 94 million euro loss, approximately 3 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 95 million euro gain;
– on foreign exchange exposures, the portfolio would have recorded a 1 million euro loss if the Euro were to appreciate against the US dollar;
– lastly, on commodity exposures a 1 million euro loss would have been recorded in the event of a 50% increase in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-15	16	-97	124	95	-94	6	-1	4	-1
of which SCP					*3*	*-3*				

Backtesting

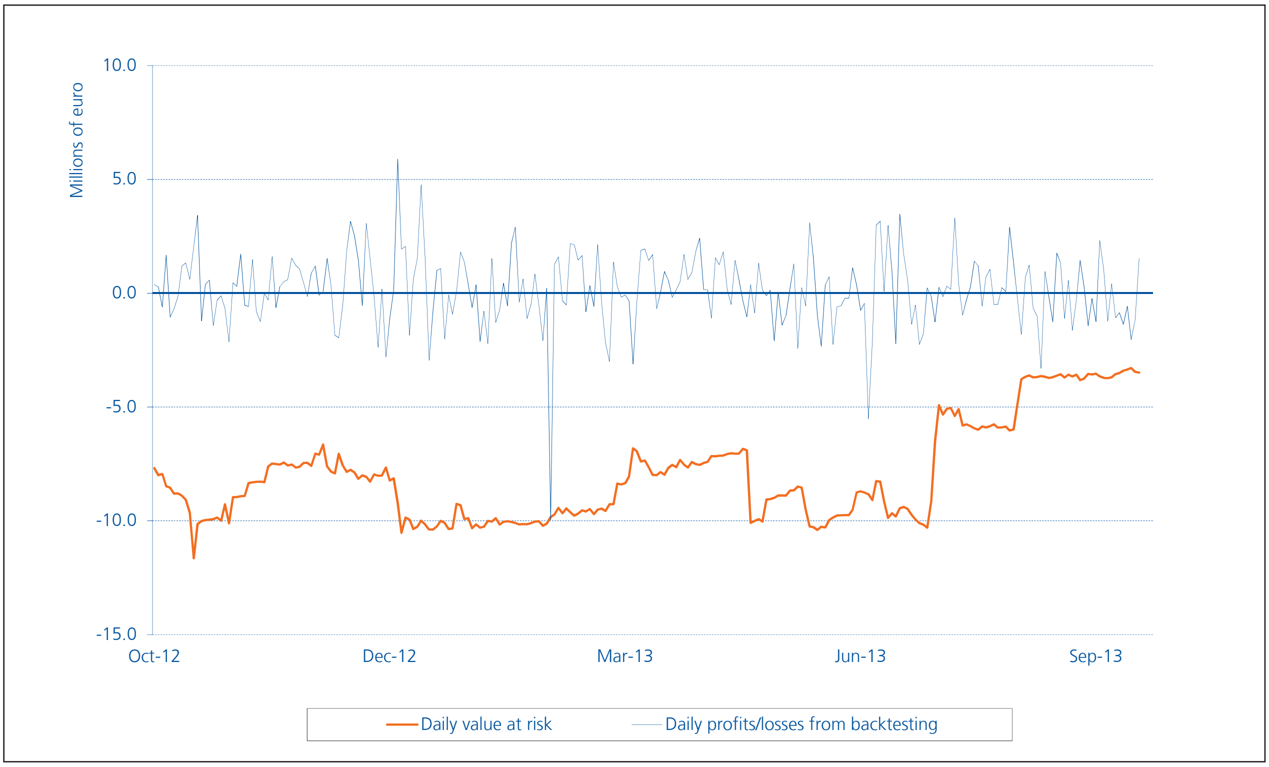
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

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

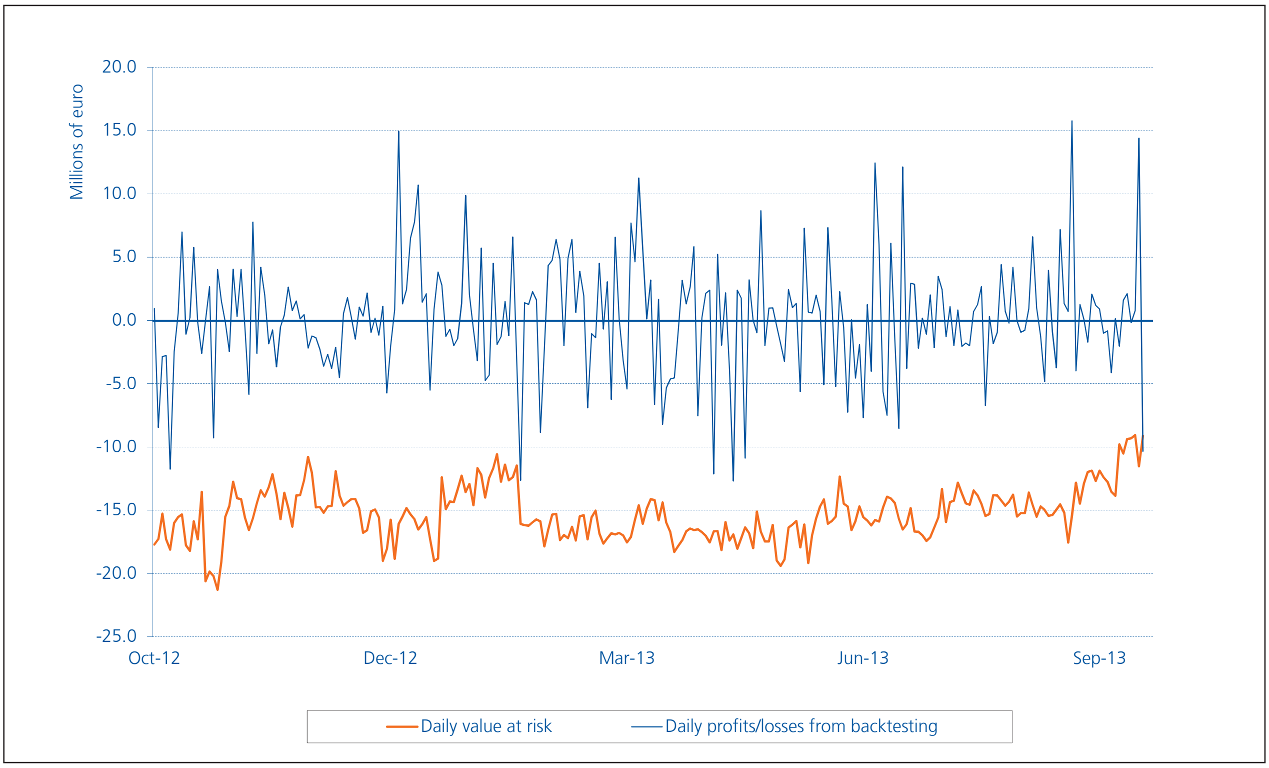
Backtesting in Intesa Sanpaolo

Over the last year, the sole backtesting exception for Intesa Sanpaolo related to events in the Italian sovereign debt crisis.



Backtesting in Banca IMI

Banca IMI's recent backtesting exception refers to the theoretical P&L figure and can be attributed to the fluctuations in financial sector spreads.



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
– Value at Risk (VaR);
– Sensitivity Analysis.
Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits. An update to the methodology aimed at sterilizing the credit spread impact, significantly increased during the recent financial crisis, was introduced from January 2013.
Furthermore, interest margin sensitivity is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first nine months of 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 71 million euro settling at 102 million euro at the end of September, almost entirely concentrated on the euro currency; this figure compares with 386 million euro (17 million euro net of the aforementioned methodology updates) at the end of 2012.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 364 million euro at the end of September 2013 (270 million euro at the end of 2012).
Interest rate risk, measured in terms of VaR, averaged 39 million euro during the first nine months of 2013 (17 million euro at the end of 2012, net of the aforementioned methodology updates), with a minimum value of 27 million euro and a maximum value of 56 million euro. At the end of September 2013 VaR totalled 42 million euro. Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 74 million euro in the first nine months of 2013 (81 million euro at the end of 2012), with a maximum value of 80 million euro and a minimum value of 65 million euro, confirmed in the final figures at the end of September.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to 47 million euro at the end of September 2013.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:
– the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the Group;
– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;

- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

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

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to respond to periods of tension, including extended periods of tension, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).
The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The short-term gap indicator measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows to expected and potential cash outflows, with reference to both on- and off-balance sheet captions. This indicator aims to ensure that the Bank maintains an adequate level of unencumbered liquidity reserves that may be converted into cash to meet expected and potential liquidity requirements. To that end, the behavioural coefficients and assumptions underlying the valuation of expected and potential cash flows incorporate cautionary and extremely prudential assumptions (such as: (i) the loss of a portion of customer demand deposits, (ii) unforeseen uses of undrawn committed credit and liquidity lines and (iii) an increase in market volatility for determining haircuts on liquidity reserves and estimating the potential future exposure associated with derivatives positions) effectively constituting an especially severe "base prudential scenario," with the adoption of run-off percentages for demand deposits more conservative than those identified by Basel 3 (LCR).

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits on maturities' transformations aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
The Guidelines also call for the periodic estimate of the liquidity position in an acute combined stress scenario (both firm specific and market related), with the definition of a target threshold for the 3-month stressed short-term gap, aiming at establishing an overall level of reserves suitable to face greater cash outflows during a period of time (3 months) adequate to take the required operating measures to restore the Group to balanced conditions. The acute stress scenario is determined by combining:

- a "firm-specific" stress scenario, relating to a liquidity crisis specific to the Bank, reflected in an accelerated withdrawal of funds by deposit-holders, a significant reduction in the realised value of assets due to the need for immediate liquidation of assets not eligible for refinancing through repurchase agreements, the activation of downgrade triggers and the need to repurchase own debt securities or honour extra-contractual obligations in order to attenuate reputational risk;
- a "market-related" stress scenario, representing a general market crisis extending to both the financial and industrial sectors, characterised by, for example: (i) failure to repay granted facilities to corporate customers; (ii) a sudden increase in uses of lines of credit and guarantees; and (iii) a significant increase in market volatility, with negative effects on the value of reserves or potential future exposure associated with positions in derivatives, resulting in larger haircuts and the need for additional guarantees.

The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indexes, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are monitored with daily frequency by the Risk Management Department.

In the first nine months of 2013, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators.
The regulatory indicators envisaged by Basel 3 have also already been satisfied (LCR and NSFR > 100%), and have further improved following the regulatory revision of early January 2013. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.
As at 30 September 2013, the Central Banks eligible liquidity reserves came to 124 billion euro (115 billion euro at the end of December 2012), of which 92 billion euro, net of haircut, was unencumbered (67 billion euro at the end of December 2012).

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

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

General principles
This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. As already illustrated in the criteria for the preparation of this Report, the application of IFRS 13 governing fair value measurement and related disclosure became mandatory from 1 January 2013.
The fair value is the price receivable for the sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion that is not entity-specific.
An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by companies, giving precedence to the use of market-observable parameters that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase coherence and comparability in fair value measurements.
Three different levels of input are identified:
– Level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date;
– Level 2: input other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured;
– Level 3: input unobservable for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (level 3).
The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:
– identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
– certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
– certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
– monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

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

For additional details on the Fair Value Policy and the fair value measurement criteria see the disclosure provided in the 2012 Annual Report and in the Half-yearly Report as at 30 June 2013.

Fair value hierarchy

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

(millions of euro)

Financial assets / liabilities at fair value	30.09.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	17,811	34,996	530	12,143	50,579	824
2. Financial assets designated at fair value through profit or loss	33,818	3,344	474	31,944	4,537	406
3. Financial assets available for sale	95,733	4,664	2,572	89,445	5,264	2,500
4. Hedging derivatives	-	8,140	1	-	11,649	2
Total	**147,362**	**51,144**	**3,577**	**133,532**	**72,029**	**3,732**
1. Financial liabilities held for trading	5,519	34,632	366	5,335	46,200	660
2. Financial liabilities designated at fair value through profit or loss	-	30,027	-	-	27,047	-
3. Hedging derivatives	-	8,441	13	-	10,757	19
Total	**5,519**	**73,100**	**379**	**5,335**	**84,004**	**679**

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

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio, with percentages stable at approximately 2% for financial assets and down 0.5% (from 0.8% in December 2012) for financial liabilities.
At the level of value, there was a decrease in level 3 financial assets held for trading tied to the quotas of UCI held by the Parent Company. Approximately 73% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

The sensitivity analysis of complex credit derivatives also shows a 0.1 million euro decrease in fair value [3] when the following parameters change:

– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

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

STRUCTURED CREDIT PRODUCTS

The first nine months of 2013 saw a decline in the portfolio on risk positions classified as part of the loan portfolio. As regards the trading book, the increase in exposure during the reporting period is largely attributable to the purchase of ABSs by the subsidiary Banca IMI.
In the same period a positive contribution to profit of 76 million euro was recorded, of which 26 million euro from realised profits and 50 million euro from revaluation. This figure remained unchanged on the first nine months of last year, compared to 96 million euro as at 31 December 2012.

The risk exposure to structured credit products amounted to 2,022 million euro as at 30 September 2013 with respect to funded and unfunded ABSs/CDOs, compared to 2,247 million euro as at 31 December 2012, in addition to an exposure of 23 million euro with respect to structured packages (this position was 3 million euro as at 31 December 2012). The reduction in the exposure during the first nine months of 2013 was, in relation to financial assets held for trading, associated with the termination of two CDO funded structures included within the "Contagion Area" with a TruPS risk exposure of 54 million euro and of two unfunded Super Senior CDO positions recorded under "Other structured credit products" for 83 million euro. These decreases, however, were largely offset by the increase in risk exposure in European/US ABS/CDOs held by Banca IMI. With regard to the exposure in securities classified under the loan portfolio, on the other hand, a significant decrease was recorded, almost all of which attributable to the Parent Company loan portfolio and for the most part due to disposals.
Lastly, with regard to exposure in packages, the figure of 23 million euro recorded as at 30 September 2013 was entirely due to a substantial improvement in the creditworthiness of the counterparty which led to a positive fair value of the credit derivative.

In the summary tables provided below, table (a) sets out risk exposure and income statement captions (sum of realised charges and profits, write-downs and write-backs) as at 30 September 2013, compared with the corresponding values recorded as at 31 December 2012.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2012 were translated to euro at an exchange rate of 1.3194 euro per dollar, and as at 30 September 2013 at an exchange rate of 1.3505 euro per dollar.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	**30.09.2013**		**31.12.2012**	
	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	**10**	**-1**	**9**	**-3**
Contagion area	**-16**	**6**	**33**	**65**
- Multisector CDOs[(1)]	-16	6	-21	18
- Alt-A	-	-	-	-
- TruPS	-	-	54	47
- Prime CMOs	-	-	-	-
Other structured credit products	**924**	**34**	**844**	**44**
- European/US ABS/CDOs	879	14	716	31
- Unfunded super senior CDOs	45	20	128	16
- Other unfunded positions	-	-	-	-3
Total	**918**	**39**	**886**	**106**
in addition to:				
Positions of funds		-		11
Total Financial assets held for trading	**918**	**39**	**886**	**117**

(millions of euro)

Loans	30.09.2013		31.12.2012	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**2**	**-**	**3**	**-**
Contagion area	**31**	**3**	**43**	**1**
- Multisector CDOs	2	3	8	1
- Alt-A	20	-	23	-
- TruPS	-	-	-	-
- Prime CMOs	9	-	12	-
Other structured credit products	**1,071**	**-3**	**1,315**	**-1**
- Funded European/US ABS/CDOs	880	-7	1,017	-8
- Funded super senior CDOs	191	4	298	7
- Other Romulus funded securities	-	-	-	-
Total	**1,104**	**-**	**1,361**	**-**
in addition to:				
Positions of funds		-		
Total Loans	**1,104**	**-**	**1,361**	**-**
TOTAL	**2,022**	**39**	**2,247**	**117**

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

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

(1) The short position of the Multisector CDO segment was generated as a result of the closing of almost all the risk positions which had been included from the beginning, and the maintenance of derivatives on indices for the operational hedging of said positions. More specifically, these comprise 11 million euro in risk exposure hedged by 27 million euro in "short" operational positions.

b) Exposure in packages

(millions of euro)

	30.09.2013		31.12.2012	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	23	37	-	-21
Non monoline packages	-	-	3	-
TOTAL	**23**	**37**	**3**	**-21**

From an income statement perspective, structured credit products generated a net income of +76 million euro as at 30 September 2013 compared to +96 million euro for 2012.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 39 million euro. The profit on this segment was a result of the effects of:

– unfunded Super Senior CDO positions included in "Other structured credit products" for +20 million euro, of which 18 million euro deriving from termination of the two structures mentioned previously and 2 million euro from revaluation of positions outstanding;
– European and US funded ABSs/CDOs (+14 million euro), entirely attributable to the subsidiary Banca IMI and including -3 million euro attributable to losses realised on the partial disposal of the trading book and +17 million from revaluation of positions outstanding;
– instruments included in the "Contagion Area" (+6 million euro) and particularly in the Multisector CDO segment;
– the contribution of the subprime exposure for -1 million euro.

The securities reclassified to the loan portfolio had an impact on the income statement of zero as at 30 September 2013. However, this result is the combination of the 12 million euro in profits realised on the sale of positions and 12 million in impairment losses on securities included in the portfolio.

The "Monoline risk" and "Non-monoline packages" made a positive contribution of 37 million euro to "Profits (Losses) on trading – caption 80" as at 30 September 2013, up strongly on the -21 million euro recorded at the end of 2012. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 30 September 2013, bonds had been reclassified as loans in the amount of 890 million euro, compared to a fair value of 724 million euro. The corresponding benefit due to reclassification as at 30 September 2013 was 116 million euro (of which the effect on the income statement for the first nine months of 2013 came to 31 million euro), whereas the effect on equity that would have occurred had the securities not been transferred was 50 million euro.

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,048 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 30 September 2013, there were no signs of impairment of the collateral of the structured products in question.

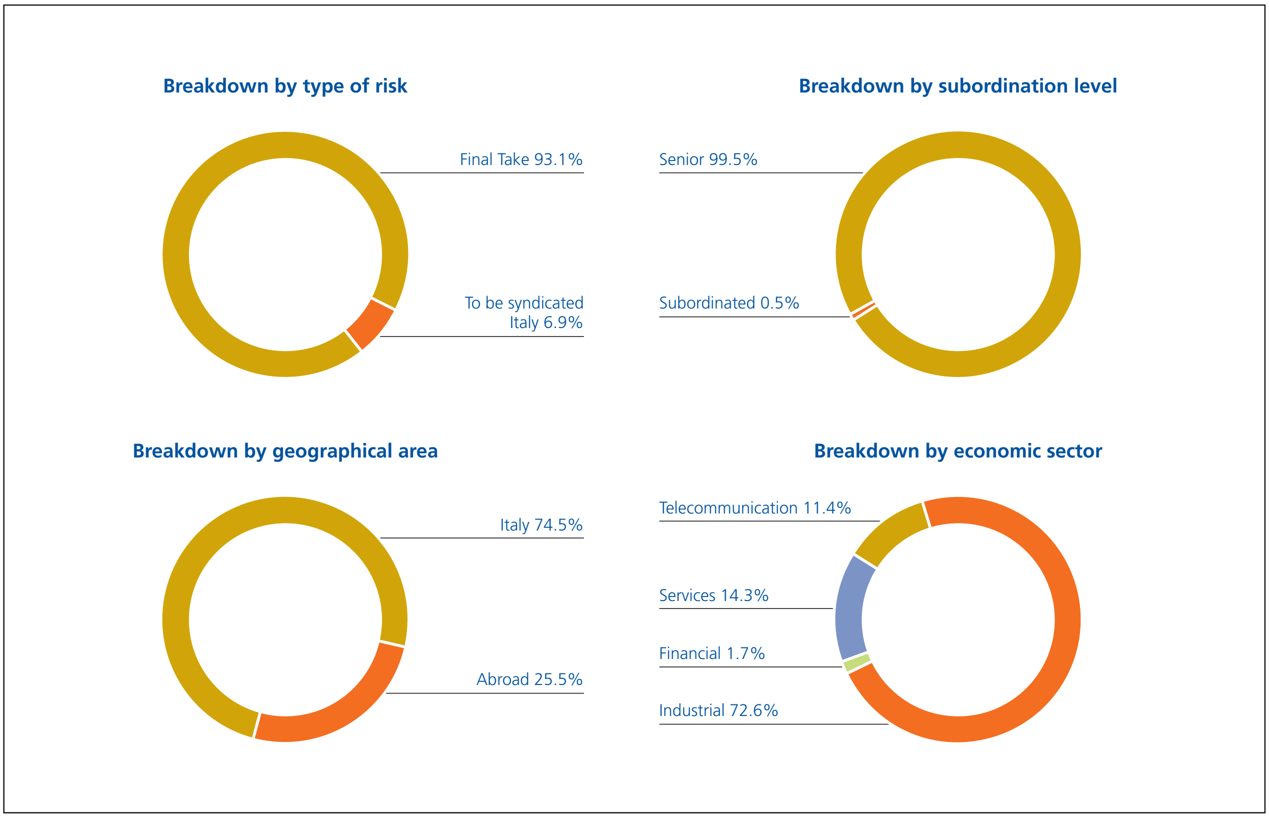
INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CBs), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above. There have not been any changes in the consolidation criteria compared to those reported in the 2012 financial statements.

For information concerning the categories of SPEs subject to disclosure, reference should be made to the 2012 Financial Statements and the Half-yearly Report as at 30 June 2013.
The only significant changes were in the Securitisation SPE segment. In particular:
- in July 2013 the vehicles Intesa Sec 2 S.r.l. and Adriano Finance S.r.l. were merged by incorporation into Intesa Sanpaolo;
- with regard to covered bond issues, during the third quarter of 2013 covered bonds (CBs) were issued under the programme secured by ISP CB Ipotecario backed by mortgage loans. The issue has a nominal value of 750 million euro, a 2.25% rate and a 5-year maturity. The bonds were placed with institutional investors. The bonds are listed on the Luxembourg Stock Exchange and rated A2 by Moody's.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 30 September 2013, 128 transactions for a total amount granted of 3,420 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 30 September 2013 totalled 704 million euro, compared to the 696 million euro recorded at the end of 2012. The slight decrease in the exposure reflects the combined effect of the net capital gains on positions outstanding at the end of the period and appreciation of the euro/dollar exchange rate.
As at the same date, there was an overall profit of 35 million euro, down slightly compared to the end of 2012 (53 million euro) and 30 September 2012 (43 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 September 2013, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 5,946 million euro (7,314 million euro as at 31 December 2012). The notional value of such derivatives totalled 56,292 million euro (55,865 million euro as at 31 December 2012). Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 3,865 million euro (4,563 million euro as at 31 December 2012).
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 623 million euro as at 30 September 2013 (1,054 million euro as at 31 December 2012). The notional value of such derivatives totalled 18,817 million euro (15,701 million euro as at 31 December 2012).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 30 September 2013, this led to a positive effect of 24 million euro being recorded under "Profits (losses) on trading" in the income statement.
As regards the means of calculation of the aforesaid Bilateral Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.

OPERATIONAL RISK

Operational risk is defined as the risk of loss due to the inadequacy or failure of procedures, human resources and internal systems, or from external events. Operational risk includes legal risk, that is, the risk of losses deriving from non compliance or breach in law or regulations, in contractual, out-of-contract responsibilities from other liabilities; strategic and reputational risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes:

– effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
– effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
– effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo. The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo and Leasint was completed in December 2012;
– effective from 30 June 2013, for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding).

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement Approaches starting from the end of 2014, based on the roll-out plan presented to the Management and Supervisory Authorities.

The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

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

The Integrated self-assessment process, conducted on an annual basis, allows the Group to:

– identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
– create significant synergies with the specialised functions of the Human Resources and Organisation Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organizational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.

In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.

In addition the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June, in order to allow optimum use of the available operational risk transfer tools, pursuant to applicable regulations the Group stipulated an innovative insurance coverage policy (a second layer policy) known as Operational Risk Insurance Programme, which offers additional coverage to traditional (first layer) policies, significantly increasing the limit of liability, effectively transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,815 million euro as at 30 September 2013, unchanged compared to 30 June 2013.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
In the third quarter of 2013, no new significant legal procedures were commenced or important developments took place with respect to those underway. Reference should therefore be made to the Notes to the 2012 Financial Statements for a detailed description of litigation regarding anatocism, investment services and other significant proceedings and litigation, and to the information provided in the Half-Yearly Report as at 30 June 2013.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2012 consolidated financial statements (Part E). Further information regarding developments in the first six months of the year is presented in the Half-yearly Report as at 30 June 2013.
In relation to the third quarter of 2013, September saw the completion of the Milan Guardia di Finanza tax inspection, with the same type of findings as for previous years in reference to capitalisation transactions involving the issue of preference shares through international subsidiaries (LLCs) resident in Delaware (USA) and loans granted abroad in the period 2010 to 2012, also referred to in the Half-Yearly Report 2013.
Furthermore, it is worth mentioning at this point that the Public Prosecutor's Office of Biella investigation into certain repurchase agreement transactions involving foreign bonds undertaken in 2006 and 2007 by Biverbanca (a member of the Intesa Group at the time of the disputed events), which were subject to settlement in December 2011, was concluded in the Bank's favour with issue by the First Instance Judge, based on the confirmatory opinion of the Public Prosecutor, of an order for the proceedings to be discharged due to groundlessness of the offence notification.

INSURANCE RISKS

Life business

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

Non-life business

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

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk (VaR).

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita and Bentos Assicurazioni) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 30 September 2013, the investment portfolios of Group companies, recorded at book value, amounted to 86,792 million euro. Of these, the part of 51,594 million euro relates to traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 35,198 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 94.1% of assets, i.e. approximately 48,842 million euro, were bonds, whereas assets subject to equity risk represented 1.4% of the total and amounted to 699 million euro. The remainder (2,343 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.5%).
The carrying value of derivatives came to approximately -290 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[4] only amounting to around -53 million euro.

At the end of the first nine months of 2013, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,512 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 91 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.3 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 4.4 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,455 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 111 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.0% of total investments and A bonds approximately 4.5%. Low investment grade securities (BBB) were approximately 82.2% of the total and the portion of speculative grade or unrated was minimal (approximately 2.4%).
A considerable portion of the BBB area is made up of securities issued by the Republic of Italy.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 73.5% of the total investments, while financial companies (mostly banks) contributed almost 16.2% of exposure and industrial securities made up approximately 4.4%.

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

At the end of the third quarter of 2013, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,596 million euro, with 2,185 million euro due to government issuers and 411 million euro to corporate issuers (financial institutions and industrial companies).

ACCOUNTING POLICIES

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 30 September 2013" has been prepared, in consolidated form, in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The accounting principles adopted in preparation of the Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2012 – to which reference should be made for further details – with the exception of the effects resulting from the application of the revised versions of IAS 19 and IFRS 13, mandatory effective 1 January 2013.
Regulation 475/2012 endorsed the amendments to IAS 19 – Employee Benefits, as approved by the IASB on 16 June 2011, the aim of which is to facilitate the understanding and comparability of financial statements, especially with regard to defined benefit plans. The most significant changes made pertain to the elimination of the different accounting treatments permitted for the recognition of defined benefit plans and the ensuing introduction of a single method that entails immediate recognition in the statement of comprehensive income of the actuarial gains/losses arising from the measurement of the obligation. Given the previous accounting approach adopted by the Group, the main effect consists of the elimination of the "corridor method", with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income, and thus in equity. The elimination of that method entailed an impact on the Group's shareholders' equity as at the date of initial application of the new Standard, inasmuch as actuarial gains or losses not previously recognised under the "corridor method" were recognised. The overall impact for the Group, as at 1 January 2013, entailed a reduction in equity valuation reserves of 293 million euro, net of the tax effect (403 million euro before taxes).
Regulation No. 1255/2012 endorsed IFRS 13 – Fair Value Measurement. The new standard does not extend the scope of application of fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities when already required or permitted by other accounting standards. The rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another, were thus concentrated into a single principle. Although many of the concepts set forth in IFRS 13 are consistent with current practice, some aspects of the new Standard result in impacts on Intesa Sanpaolo Group companies, foremost among which is the effect due to the clarification introduced regarding the measurement of the non-performance risk in determining the fair value of derivative contracts. This risk includes both changes in the creditworthiness of the counterparty and of the issuer itself. In order to comply with the Standard, a new calculation method known as the "Bilateral Credit Value Adjustment" (bCVA) was developed at the Group level. The application of this new model in lieu of the previously adopted model did not entail economically significant effects.

The Consolidated Interim Statement was not subject to auditor review and comprises the condensed Balance sheet and Income statement, accompanied by Explanatory notes to the report on operations. It is prepared in Euro as the operating currency. The amounts indicated in the Financial statements and Explanatory notes are expressed in millions of Euro, unless otherwise specified.
The financial statements are presented in condensed/reclassified format, based on the most appropriate presentation criteria for the captions according to standard operating principles. For the Income statement, the content of captions refers to Bank of Italy instructions laid down in Circular 262/2005, including aggregations/reclassifications as follows:

- net interest includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future cash flows; the time value of employee termination indemnities and provisions for risks and charges;
- profits (losses) on trading records: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
- the contribution from insurance companies to net income is conventionally recorded in the specific caption "Income from insurance business" rather than line by line. For the insured parties' portion the adjustment effect of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group's insurance companies was also attributed to this caption;
- administrative expenses are stated net of recoveries of expenses, taxes and duties from customers;
- net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
- net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets. In addition, impairment losses on Greek government and other public entities bonds were recognised to this caption, regardless of their balance sheet classification (Financial assets available for sale or loans);

- profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on disposal of investments; conversely net income from investments carried at equity is recorded in a specific caption of net operating income along with dividends;
- charges for integration and exit incentives are recorded in a specific caption net of the tax effect;
- the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption;
- for a more accurate representation of ordinary operations, goodwill impairment (net of tax) is shown among "non-current" income components.

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

With regard to discontinued operations, in the Interim statement as at 30 September 2013, only some real-estate units were classified separately under non-current assets held for sale and discontinued operations.

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

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated interim statement includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors dissimilar to that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.

No significant changes have occurred with respect to the position as at 31 December 2012. The only development to be reported is the inclusion in the scope of line-by-line consolidation of Bentos Assicurazioni S.p.A., which had been consolidated according to the equity method in the 2012 Financial Statements, and of Intesa Sanpaolo Sec. No significant intragroup transactions have been performed, except for the merger of Banca dell'Adriatico into Cassa di Risparmio di Ascoli Piceno, later renamed Banca dell'Adriatico.
As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2012 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 September 2013 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into Euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

Other information

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

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies established and regulated under the laws of non-EU countries (art. 36 Regulation on Markets). Pursuant to Art. 2.6.2, paragraph 12 of the Rules of the Markets managed and organised by Borsa Italiana S.p.A., the latter has also required that at the time of approval of the Parent Company's financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Regulation on Markets are met. Intesa Sanpaolo's declaration to this effect can be found in the Annual Report 2012.
In this respect, no acquisitions were completed in the first nine months of 2013 concerning companies established and registered under the laws of non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
Note that the preparation of the segment reporting as at 30 September 2013 reflects the new organisational aspects approved by the Management Board on 21 May 2013. Specifically, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 million to 350 million euro, based on assessments of Group interest agreed between the Heads of the Banca dei Territori and Corporate and Investment Banking Divisions, as well as to the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring. The Group's organisational structure was also impacted by the relocation of Institutional Investments, which were previously under the Merchant Banking Department (Corporate and Investment Banking Division), under the powers and duties of the Chief Governance Officer.

The Management Board

Milan, 13 November 2013

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

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Ernesto Riva, hereby declares that the accounting information contained in this Interim Statement as at 30 September 2013 corresponds to corporate records, books and accounts.

Milano, 13 November 2013

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

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES, A CULTURAL NETWORK FOR THE COUNTRY.

With the Gallerie d'Italia project, Intesa Sanpaolo shares its artistic and architectural assets with the community: 1,000 works of art, selected from the 10,000 owned by the Group, exhibited in three cities, to form a museum network unique in nature.

In Milano, the Piazza Scala Galleries, in an extremely valuable architectural setting, host a selection of two hundred works by nineteenth century artists from Lombardy and an exhibition covering the major artists and trends in Italian art in the second half of the twentieth century.
In Vicenza, the Palazzo Leoni Montanari Galleries exhibit the greatest collection of Russian icons in the Western world and works from Venetian eighteenth century painters.
In Napoli, the Palazzo Zevallos Stigliano Galleries present the *Martyrdom of saint Ursula*, a work from Caravaggio's last season, along with eighteenth and nineteenth-century vedutas of the countryside of Campania.

On the cover:
Umberto Boccioni
(Reggio Calabria, 1882 - Verona, 1916)
Officine a Porta Romana (Porta Romana Worksites), 1910
oil on canvass, 75 x 145 cm
Intesa Sanpaolo's Collection
Gallerie d'Italia-Piazza Scala, Milano