INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT 31 MARCH 2011

▪ **Net income:**	**€661m, up 30.9% on fourth quarter 2010 (€505m) and down 3.9% on first quarter 2010 (€688m).**
▪ **Adjusted(*) net income:**	**€762m, up 57.1% on fourth quarter 2010 (€485m) and up 7.3% on first quarter 2010 (€710m).**
▪ **Income before tax from continuing operations:**	**€1,267m, up 35.1% on fourth quarter 2010 (€938m) and up 8.8% on first quarter 2010 (€1,165m).**
▪ **Operating margin:**	**€1,963m, up 15.1% on fourth quarter 2010 (€1,705m) and down 1.7% on first quarter 2010 (€1,996m).**
▪ **Operating income:**	**€4,206m, up 0.1% on fourth quarter 2010 (€4,203m) and down 0.9% on first quarter 2010 (€4,245m).**
▪ **Operating costs:**	**€2,243m, down 10.2% on fourth quarter 2010 (€2,498m) and down 0.3% on first quarter 2010 (€2,249m).**
▪ **Capital ratios:**	**as at 31 March 2011, Core Tier 1 ratio at 8.2%; pro-forma Core Tier 1 ratio(°) at 9.8%; Tier 1 ratio at 9.7%; pro-forma Tier 1 ratio(°) at 11.3%.**

Torino, Milano, 13 May 2011 – The Intesa Sanpaolo Management Board, chaired by Andrea Beltratti, in today's meeting approved the consolidated interim statement as at 31 March 2011 (1).

In the first quarter of 2011 the Intesa Sanpaolo Group remained focused on **prioritising sustainable profitability**. This was based on the strategic decisions underlying Intesa Sanpaolo's performance since the merger, which concern not only **revenues** and **costs** but also **liquidity**, **solidity and a well-contained risk profile**. Management policies in particular have enabled Intesa Sanpaolo to record the following in the first quarter 2011 versus the last three months and the same period of 2010:

- **net interest income** in line. Net interest income moreover would **improve** if the short-term negative impact from the hedging reduction in the first quarter of 2011 were excluded. The reduction has been implemented in order to optimise the benefit from changing trends in Euribor rates over the course of the multi-year Business Plan;
- **operating costs going down;**
- **loan adjustments decreasing;**
- **income before tax from continuing operations significantly increasing.**

This has generated **consolidated net income** of 661 million euro for the first quarter of 2011, up 30.9% from the 505 million euro of the previous quarter and down 3.9% from the 688 million euro of the first quarter of 2010 when net income benefited from an 86 million euro release of deferred taxes.

Consolidated adjusted net income - without the main non-recurring items (*) **-** was 762 million euro for the first quarter of 2011, up 57.1% compared to the 485 million euro of the previous quarter and up 7.3% on the 710 million euro of the first quarter of 2010.

(*) Methodological note on calculation of the adjusted net income on page 10.
(°) Calculation includes disposals/acquisitions and capital increase in finalisation stage as shown on page 4.
(1) Methodological note on the scope of consolidation on page 10.

The income statement for the first quarter of 2011

The consolidated income statement for the first quarter of 2011 [(2)] registered **operating income** of 4,206 million euro, up 0.1% from 4,203 million euro in the fourth quarter of 2010 and down 0.9% from 4,245 million euro in the first quarter of 2010.

In the first quarter of 2011 **net interest income -** 2,396 million euro **-** was in line with the 2,410 million euro of the fourth quarter of 2010 and the 2,401 million euro of the first quarter of 2010. Net interest income would increase by 0.4% on the previous quarter and by 1.3% on the first three months of 2010 if the impact of the hedging reduction were excluded. This reduction has been implemented in order to optimise the benefit from changing trends in Euribor rates over the course of the multi-year Business Plan despite having a negative impact on the income statement in the short term. Net interest income increases by 2% versus the fourth quarter of 2010 if in addition it is adjusted to take into account the seasonal effect of fewer working days.

Net fee and commission income amounted to 1,394 million euro, down 7.9% from 1,514 million euro in the fourth quarter of 2010 due largely to the decision not to place third-party bonds in the first quarter of 2011, performance commissions recorded in the fourth quarter of 2010 and the decrease in commissions on loans granted in the structured finance business. In detail, fees and commissions on commercial banking activities decreased by 5.8% and fees and commissions on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) declined 7.1%. The negative performance of the latter was due to the negative contribution of commissions on dealing and placement of securities (down 14.3% also due to the decision not to place third-party bonds in the first quarter of 2011), distribution of insurance products (down 5.1%) and portfolio management (a 5.7% decrease also due to the effect of some 24 million euro performance commissions recorded in the fourth quarter of 2010). Moreover, a 20% decrease was recorded in commissions on loans, mainly attributable to the structured finance business. Net fees and commissions for the first quarter of 2011 are in line with the 1,403 million euro of the first quarter of 2010 while they would increase by 1.3% excluding the impact of the decision not to place third-party bonds in the first quarter of 2011. In detail, both fees and commissions on commercial banking activities and those on management, dealing and consultancy activities remained nearly unchanged. As part of the latter, commissions on dealing and placement of securities were down by 24.5% (also due to the decision not to place third-party bonds in the first quarter of 2011), those on distribution of insurance products were up 9.7% and those on portfolio management up 6.8%.

Profits on trading amounted to 278 million euro, more than doubling compared to the 122 million euro of the fourth quarter of 2010. As part of it profits on customer activity rose by 10.1% from 99 to 109 million euro, those on capital markets and financial assets AFS declined from 48 to 22 million euro, a positive contribution of 120 million euro came from proprietary trading and treasury activities up from a 57 million euro negative impact last quarter while the contribution from structured credit products declined from 32 to 26 million euro. Profits on trading for the first quarter of 2011 were up 27.5% on the 218 million euro of the first quarter of 2010, with a 28.2% increase versus 85 million euro in revenues from customer activity. The first quarter of 2010 included positive impact of 105 million euro from capital markets and financial assets AFS, of 2 million euro from proprietary trading and treasury activities and of 27 million euro from structured credit products. Without the IAS reclassification of financial assets held for trading into loans and receivables and financial assets available for sale, trading profits would have recorded a positive pre-tax impact of 51 million euro.

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(2) During the preparation of the interim statement as at 30 September 2008, in the wake of the global financial crisis certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category “fair value through profit and loss” into the categories “available-for-sale” or the “held-to-maturity” or “loans and receivables” and out of the category “available-for-sale” into the category “loans and receivables”. The Group, largely basing on the prices as at 1 July 2008, reclassified financial assets held for trading of 3,035 million euro into loans and receivables and 179 million euro into financial assets available for sale. If this reclassification had not been made, the profits/losses on trading for the first quarter of 2011 would have recorded 51 million euro as positive pre-tax impact (with positive impact of 92 million euro in full-year 2010 and 72 million euro in full-year 2009 and negative impact of 459 million euro in full-year 2008). The Group also reclassified financial assets available for sale of 6,106 million euro into loans and receivables. Without these reclassifications, the shareholders’ equity would have included 938 million euro as negative pre-tax direct impact as at 31 March 2011 (208 million euro as positive impact in the first quarter of 2011).

Income from insurance business was 120 million euro compared to the 126 million euro of the fourth quarter of 2010 and the 204 million euro of the first quarter of 2010 which benefited from capital gains on sale of securities.

Operating costs decreased 10.2% to 2,243 million euro compared to the 2,498 million euro of the previous quarter which reflected year-end seasonal effects. Personnel expenses were down 4.3%, administrative expenses down 19.4% and adjustments down 11.8%. A 0.3% reduction was recorded versus the 2,249 million euro of the first quarter of 2010 with increases of 0.4% in personnel expenses and 4.9% in adjustments and a 2.4% decrease in administrative expenses.

As a result, **operating margin** totalled 1,963 million euro up by 15.1% from the 1,705 million euro of the previous quarter and down by 1.7% from the 1,996 million euro of the same period of 2010. The cost/income ratio was 53.3% in the first quarter of 2011 against 59.4% in the fourth quarter of 2010 and 53% in the first quarter of 2010.

No **goodwill impairment** was recorded in this period, as was the case with the previous quarter and the same quarter of 2010.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to 710 million euro, down 31% from 1,029 million euro in the fourth quarter of 2010 and down 15.6% from 841 million euro in the first quarter of 2010. Net provisions for risks and charges amounted to 13 million euro versus 144 million euro in the previous quarter (when 100 million euro was prudentially set aside for possible dispute resolutions) and versus 86 million euro in the first quarter of 2010. Net adjustments to loans came to 680 million euro (including around 40 million euro of non-recurring adjustments for the Hungarian subsidiary CIB Bank) marking an 18.9% decrease versus the 838 million euro of the previous quarter (which included around 100 million euro attributable to Neos Finance and around 40 million euro to Centro Leasing, both companies being impacted by non-recurring adjustments) and a 9.3% decline versus 750 million euro in the first quarter of 2010. Net impairment losses on other assets came to 17 million euro compared to 47 million euro in the previous quarter and 5 million euro in the first quarter of 2010.

Profits/losses on investments held to maturity and on other investments were a positive 14 million euro compared to profits of 262 million in the fourth quarter of 2010 (which included a 255 million euro positive effect of the measurement at fair value of the 50% stake of Intesa Vita already owned following acquisition of total control of the company). Profits for the first quarter of 2010 were 10 million euro.

Income before tax from continuing operations amounted to 1,267 million euro, up 35.1% compared to the 938 million euro posted in the three months to 31 December 2010 and up 8.8% versus the 1,165 million euro of the first quarter of 2010.

Consolidated net income was 661 million euro, up 30.9% against 505 million euro in the fourth quarter of 2010 and down 3.9% against 688 million euro in the first quarter of 2010 (which benefited from an 86 million euro release of deferred taxes), after accounting for:
- taxes of 496 million euro
- integration charges (net of tax) of 4 million euro
- charges from purchase cost allocation (net of tax) of 86 million euro
- minority interests of 20 million euro.

The first quarter of 2011 does not include the capital gains on the branch sale to the Crédit Agricole group since the transaction is still being finalised.

Excluding the main non-recurring items, net income came to 762 million euro for the first quarter of 2011 increasing 57.1% on the 485 million euro of the fourth quarter of 2010 and 7.3% on the 710 million euro of the first quarter of 2010.

Balance sheet as at 31 March 2011

As regards the consolidated balance sheet figures, as at 31 March 2011 **loans to customers** amounted to 376 billion euro, up 1.8% from 31 March 2010 (up 0.7% taking into account average volumes instead of those at the end of the period) and down 0.5% from year-end 2010. Total **non-performing loans** (doubtful, substandard, restructured and past due) - net of adjustments - amounted to 20,833 million euro, declining for the first time after many years compared to the same period in the prior year (down 0.7% from 20,973 million euro). A decrease was also recorded as at 31 March 2011 compared to 31 December 2010, by 1.3% from 21,106 million euro. In detail, doubtful loans increased to 7,508 from 7,335 million euro as at 31 December 2010; the ratio to total loans was 2% (1.9% as at 31 December 2010) and the coverage ratio was 65% (64% as at year-end 2010). Total coverage was 124% taking into account **collateral and guarantees** to doubtful loans in addition to specific provisions. Substandard loans decreased to 8,808 from 8,930 million euro as at year-end 2010. Restructured loans amounted to 3,340 million euro compared to 3,334 million euro as at year-end 2010. Past due loans decreased to 1,177 million euro compared to 1,507 million euro in December 2010.

Customer financial assets were 821 billion euro (after netting referred to items included in both direct and indirect customer deposits), down 0.5% from 31 December 2010 and down 1.6% from 31 March 2010. Under customer financial assets, **direct customer deposits** amounted to 418 billion euro, down 1.7% from year-end 2010 and down 3% from 31 March 2010; indirect customer deposits reached 428 billion euro, up 0.5% from year-end 2010 and down 0.7% from 31 March 2010. **Assets under management** totalled 234 billion euro, up 0.1% from year-end 2010 and down 1.8% from 31 March 2010. As for bancassurance, in the first quarter of 2011 new business for life policies amounted to 4.5 billion euro (13.9% higher than in the first three months of 2010). Assets under administration and in custody amounted to 195 billion euro, up 0.9% from 31 December 2010 and 0.6% from 31 March 2010.

As at 31 March 2011 **capital ratios** were 8.2% for the Core Tier 1 ratio (31 December 2010: 7.9%), 9.7% for the Tier 1 ratio (year-end 2010: 9.4%) and 13% for the total capital ratio (year-end 2010: 13.2%). Capital ratios have been determined by using the Basel 2 Foundation approach, applying the internal models to both residential mortgages and the corporate portfolio and deducting the nominal value of the savings shares. The calculation also includes the dividend accrued in the period for year 2011 assuming the quarterly quota of the one billion euro dividend of 2010 being paid in 2011. **Pro-forma** capital ratios would be 8.3% for the Core Tier 1 ratio, 9.8% for the Tier 1 ratio and 13.2% for the total capital ratio including the transactions in their finalisation stage detailed below:

- sale of branches to the Crédit Agricole group (expected positive impact of about 13 basis points on the Core Tier 1 ratio),
- acquisition of control of Banca Monte Parma (expected negative impact of 8 basis points on the Core Tier 1 ratio),
- sale of the remaining 25% stake in Findomestic (valued at the bottom end of the range set in the contract, with an expected positive impact of 7 basis points on the Core Tier 1 ratio).

Moreover, taking into account the capital increase of 5 billion euro approved at the Extraordinary Shareholders' Meeting of 10 May 2011, pro-forma capital ratios would be 9.8% for the Core Tier 1 ratio, 11.3% for the Tier 1 ratio and 14.7% for the total capital ratio.

The following is the estimated impact on the Group's capital ratios from **fully phased-in Basel 3**, based on the information available so far. This impact has been calculated by applying the parameters set for 2019 to the financial statements as at 31 March 2011 and including the disposals/acquisitions in their finalisation stage and the capital increase. The estimated impact is:

- 2.1 billion euro in total deductions from common equity assuming that the equity investment in the Bank of Italy is deducted and considering the expected absorption of deferred tax assets (DTAs) before the full phasing-in of Basel 3,
- an additional 9.6 billion euro of risk-weighted assets (RWAs) due to DTAs and investments in banks, financial entities and insurance companies which are below the deduction limit,
- an additional 12.2 billion euro of RWAs due to securitisations, market risks (Stress VaR) and counterparty risks (CVA);

with an estimated total impact on the Core Tier 1 ratio of around 110 basis points (the actual impact is subject to the implementation of the relevant regulations).

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

- an **excellent liquidity profile** with
  - a broad availability of eligible assets with Central Banks not yet utilised, corresponding to liquidity of 45 billion euro at the end of April 2011,
  - customer deposits outweighing customer loans,
  - stable and well-diversified sources of funding,
  - over 70% of direct customer deposits (including securities issued) generated from retail operations,
  - medium/long-term funds raised as at the beginning of May 2011 which are already equivalent to approximately two thirds of total 2011 maturities, with wholesale placements equal to the total 2011 wholesale maturities;
- **low leverage and an adequate capital base** with
  - much lower leverage than other major European banking groups,
  - one of the best ratios of tangible net shareholders' equity to tangible assets among the major European banking groups;
- a **low risk profile** with
  - the Group's securities portfolio at the end of March 2011 including bonds issued by the central and local governments of Greece for 790 million euro (down to 591 million euro following a reimbursement in April) , Spain for 741 million euro, Ireland for 204 million euro and Portugal for 60 million euro.

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The Group had a **gross and net risk exposure** to structured credit products with underlying **US subprime** of 24 million euro as at 31 March 2011. Full and detailed information concerning structured credit products held by the Group is included, as usual, in the Interim Statement as at 31 March 2011 approved by the Management Board as well as in the specific slides of the results presentation made available to the market.

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As at 31 March 2011, the Intesa Sanpaolo Group's **operating structure** had a total network of 7,428 branches - of which 5,682 in Italy and 1,746 abroad - with 101,978 employees, 135 higher than at 31 December 2010.

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Breakdown of results by business area

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

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

In the first quarter of 2011, the Banca dei Territori Division recorded:
- operating income of 2,376 million euro, accounting for 56% of the consolidated operating income (59% in the first quarter of 2010), down 2.7% compared with 2,442 million euro in the fourth quarter of 2010 and 5.8% from 2,522 million euro in the first quarter of 2010;
- operating costs of 1,402 million euro, down 7.9% from 1,523 million euro in the fourth quarter of 2010 and 0.4% from 1,408 million euro in the first quarter of 2010;
- operating margin of 974 million euro, up 6% from 919 million euro in the previous quarter and down 12.6% from 1,114 million euro in the same quarter in 2010;
- a cost/income ratio of 59% versus 62.4% in the fourth quarter of 2010 and 55.8% in the first quarter of 2010;
- net provisions and adjustments of 441 million euro, down 25.8% from 594 million euro in the fourth quarter of 2010 and 13.7% from 511 million euro in the first quarter of 2010;
- income before tax from continuing operations of 533 million euro, up 64% from 325 million euro in the fourth quarter of 2010 and down 11.6% from 603 million euro in the first quarter of 2010;
- net income of 258 million euro, more than doubling the 112 million euro of the fourth quarter of 2010 and decreasing by 13.4% versus 298 million euro in the same quarter of 2010.

Eurizon Capital, the company specialised in providing collective and individual asset management products to the Group's internal banking networks, is developing ever more effective synergies with the Banca dei Territori Division. The company is also focused on strengthening its presence in the "open architecture" segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls the subsidiaries Eurizon Capital (Luxembourg) and Eurizon A.I., which respectively promote and manage funds incorporated under Luxembourg law and alternative funds, and owns a 49% stake in a Chinese asset management company, Penghua Fund Management.

In the first quarter of 2011, Eurizon Capital recorded:
- operating income of 69 million euro, accounting for 2% of the consolidated operating income (the same as in the first quarter of 2010), down 18.2% from 84 million euro in the fourth quarter of 2010 (when performance commissions of around 10 million euro were included). An increase of 4.5% was instead registered versus 66 million euro in the first quarter of 2010;
- operating costs of 32 million euro, down 8.8% from 35 million euro in the fourth quarter of 2010 and 3% from 33 million euro in the first quarter of 2010;
- operating margin of 37 million euro, down 24.8% from 50 million euro in the previous quarter and up 12.1% from 33 million euro in the same quarter in 2010;
- a cost/income ratio of 46.4% versus 41.7% in the fourth quarter of 2010 and 50% in the first quarter of 2010;
- income before tax from continuing operations of 37 million euro, down 20.2% from 47 million euro in the fourth quarter of 2010 and up 12.1% from 33 million euro in the first quarter of 2010;
- net income of 19 million euro, down 22.9% from 25 million euro in the fourth quarter of 2010 and up 26.7% from 15 million euro in the same quarter of 2010.

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

- Large Corporate Italy, which presides over relations with large Italian corporates (mainly with a turnover exceeding 500 million euro);
- Mid Corporate, dedicated to Italian corporate customers with a turnover exceeding 150 million euro and mainly up to 500 million euro;
- International, responsible for relations with international corporates. This unit also presides over foreign branches, representative offices and international subsidiaries specialising in corporate banking (Société Européenne de Banque and Intesa Sanpaolo Bank Ireland) and provides specialist assistance in support of internationalisation of Italian corporates and export development;
- Global Banking & Transaction, responsible for relations with Italian and international financial institutions, management of transactional services related to payment systems, custody and settlement of securities, mainly Italian (local custody);
- Banca IMI, which is in charge of investment banking operations, that is the creation of structured finance products and M&A consultancy services to the Group's clients, capital markets activities for the Group's clients and institutional operators in market making activities;
- Merchant Banking, which operates in the private equity area also through Private Equity International (PEI) and IMI Investimenti companies.

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

In the first quarter of 2011, the Corporate and Investment Banking Division recorded:

- operating income of 902 million euro, accounting for 21% of the consolidated operating income (22% in the first quarter of 2010), down 4.6% from 946 million euro in the fourth quarter of 2010 and 4.8% from 947 million euro in the first quarter of 2010;
- operating costs of 220 million euro, down 3.9% from 229 million euro in the fourth quarter of 2010 and up 6.3% from 207 million euro in the first quarter of 2010;
- operating margin of 682 million euro, down 4.9% from 717 million euro in the fourth quarter of 2010 and 7.8% from 740 in the first quarter of 2010;
- a cost/income ratio of 24.4% compared with 24.2% in the fourth quarter of 2010 and 21.9% in the first quarter of 2010;
- net provisions and adjustments of 100 million euro from the 124 million euro of the fourth quarter of 2010 and the 102 million euro of the same period last year;
- losses on investments held to maturity and on other investments of 2 million euro versus profits of 16 million euro in the fourth quarter of 2010 while no profits/losses were recorded in the first quarter of 2010;
- income before tax from continuing operations of 580 million euro, down 4.8% from 609 million euro in the fourth quarter of 2010 and 9.1% from 638 million euro in the first quarter of 2010;
- net income of 387 million euro, up 0.3% from 386 million euro in the fourth quarter of 2010 and down 7% from 416 million euro in the first quarter of 2010.

Public Finance provides services to government, public entities, local authorities, public utilities, general contractors, public and private healthcare structures and develops activities related to lending and day-to-day banking operations, project financing, securitisations and financial advisory, with the aim of fostering cooperation between the public and private sectors and supporting initiatives and investment projects in large infrastructure, healthcare, research and public utilities in general. Public finance activities are performed through Banca Infrastrutture Innovazione e Sviluppo.

In the first quarter of 2011, Public Finance recorded:
- operating income of 106 million euro, accounting for 3% of consolidated operating income (2% in the first quarter of 2010), up 4.5% compared with the 101 million euro of the fourth quarter of 2010 and up 41.3% from 75 million euro in the first quarter of 2010;
- operating costs of 19 million euro, down 22.1% from 24 million euro in the fourth quarter of 2010 and down 9.5% from 21 million euro in the first quarter of 2010;
- operating margin of 87 million euro, up 12.7% from 77 million euro in the previous quarter and 61.1% from 54 million euro in the same quarter in 2010;
- a cost/income ratio of 17.9%, an improvement on the 23.8% of the fourth quarter of 2010 and the 28% of the first quarter of 2010;
- net provisions and adjustments of 2 million euro versus 25 million euro in the fourth quarter of 2010 and 3 million euro in the first quarter of 2010;
- income before tax from continuing operations of 85 million euro, up 62.7% from 52 million euro in the fourth quarter of 2010 and up 66.7% from 51 million euro in the first quarter of 2010;
- net income of 51 million euro, up 37.4% from 37 million euro in the fourth quarter of 2010 and up 70% from 30 million euro in the first quarter of 2010.

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

In the first quarter of 2011, the International Subsidiary Banks Division recorded:
- operating income of 590 million euro, contributing 14% of the consolidated operating income (13% in the first quarter of 2010), down 2.5% from 604 million euro in the fourth quarter of 2010 and up 5.9% from 557 million euro in the first quarter of 2010;
- operating costs of 286 million euro, down 9.9% from 317 million euro in the fourth quarter of 2010 and up 1.4% from 282 million euro in the first quarter of 2010;
- operating margin of 304 million euro, up 5.6% from 287 million euro in the fourth quarter of 2010 and 10.5% from 275 million euro in the first quarter in 2010;
- a cost/income ratio of 48.5%, an improvement on the 52.5% of the fourth quarter of 2010 and the 50.6% of the first quarter of 2010;
- net provisions and adjustments of 183 million euro from 196 million euro in the fourth quarter of 2010 and 132 million euro in the first quarter of 2010;
- profits on investments held to maturity and on other investments of 2 million euro versus profits of 3 million euro in the fourth quarter of 2010 and one million euro in the first quarter of 2010;
- income before tax from continuing operations of 123 million euro, up 29.6% from 94 million euro in the fourth quarter of 2010 and down 14.6% from 144 million euro in the first quarter of 2010;
- net income of 86 million euro, up 60.7% from the 53 million euro of the fourth quarter of 2010 and down by 25.2% compared to the 115 million euro of the same quarter of 2010.

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

- operating income of 198 million euro, contributing 5% to the Group's consolidated figure (the same as in the first quarter of 2010), and in line with the first and fourth quarters of 2010;
- operating costs of 84 million euro, down 10.4% from 93 million euro in the fourth quarter of 2010 and unchanged compared to the first quarter of last year;
- operating margin of 114 million euro, up 9.1% from 104 million euro in the previous quarter and 1.8% from 112 million euro in the first quarter of 2010;
- a cost/income ratio of 42.4%, an improvement on the 47% of the fourth quarter of 2010 and the 42.9% of the first quarter of 2010;
- net provisions and adjustments of 8 million euro from 23 million euro in the previous quarter and 11 million in the first three months of 2010;
- income before tax from continuing operations of 106 million euro, up 29.6% from 82 million euro in the previous quarter and 5% compared to the 101 million euro of the first quarter of 2010;
- net income of 53 million euro, up 52.4% versus 35 million euro in the fourth quarter of 2010 and 10.4% from 48 million euro in the first quarter of 2010; excluding charges from purchase cost allocation, net income for the first quarter of 2011 would be 77 million euro compared to 61 million euro in the previous quarter and 74 million euro in the first three months of 2010.

<u>The outlook for 2011</u>

The 2011-2013/2015 Business Plan of Intesa Sanpaolo sets out a vision for the Bank which brings together clear continuity and strategic evolution. The Group will continue to focus on its key priority of assuring sustainable profitability in the medium term through developing long-lasting client relationships, fine-tuning cost discipline and investments while at the same time monitoring asset quality and strengthening liquidity and capital base. On this basis, the Group is expected to record a recovery in revenues, containment of operating costs, a decline in the cost of credit and, hence, recurring profitability growth in 2011 versus 2010.

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For consistency purposes, the income statement figures for 2010 were restated mainly due to three transactions:

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

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

1. for the four quarters of 2010 deconsolidating line by line the items relating to Cassa di Risparmio della Spezia and 11 branches sold to the Crédit Agricole group in March 2011 and recording their contribution in terms of assets/liabilities balance under interbank position;
2. for the first quarter of 2010 consolidating line by line the items related to the acquisition of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010;
3. for the first two quarters of 2010 consolidating line by line the items related to Intesa Vita.

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

1. for the four quarters of 2010 to take into account the allotment of the 96 branches included in the sale to Crédit Agricole from the Banca dei Territori Division to the Corporate Centre and that of Intesa Sanpaolo Suisse Private Bank from the Corporate and Investment Banking Division to the Banca Dei Territori Division;
2. for the first two quarters of 2010 to include the contribution to Banca Fideuram of the Fideuram Vita business line spun off from EurizonVita and consequently from the Banca dei Territori Division;
3. for the first three quarters of 2010 to take into account the attribution of Neos Finance to the Banca dei Territori Division. The company was previously included under the Corporate Centre.

* * *

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

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

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

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

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

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

* * *

In order to present more complete information on the results generated in the first quarter of 2011, the reclassified income statement and the reclassified balance sheet included in the interim statement approved by the Management Board are attached. Please note that the reclassified income statement and the reclassified balance sheet are not subject to auditing by the Auditing company. The latter, in charge of performing the limited review of the interim statement, has not yet completed its analysis.

* * *

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

* * *

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

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

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

Gruppo Intesa Sanpaolo

Reclassified consolidated statement of income

(millions of euro)

	31.03.2011	31.03.2010	Changes	
			amount	%
Net interest income	2,396	2,401	-5	-0.2
Dividends and profits (losses) on investments carried at equity	7	-3	10	
Net fee and commission income	1,394	1,403	-9	-0.6
Profits (Losses) on trading	278	218	60	27.5
Income from insurance business	120	204	-84	-41.2
Other operating income (expenses)	11	22	-11	-50.0
Operating income	4,206	4,245	-39	-0.9
Personnel expenses	-1,374	-1,369	5	0.4
Other administrative expenses	-720	-738	-18	-2.4
Adjustments to property, equipment and intangible assets	-149	-142	7	4.9
Operating costs	-2,243	-2,249	-6	-0.3
Operating margin	1,963	1,996	-33	-1.7
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-13	-86	-73	-84.9
Net adjustments to loans	-680	-750	-70	-9.3
Net impairment losses on other assets	-17	-5	12	
Profits (Losses) on investments held to maturity and on other investments	14	10	4	40.0
Income (Loss) before tax from continuing operations	1,267	1,165	102	8.8
Taxes on income from continuing operations	-496	-362	134	37.0
Merger and restructuring-related charges (net of tax)	-4	-16	-12	-75.0
Effect of purchase price allocation (net of tax)	-86	-92	-6	-6.5
Income (Loss) after tax from discontinued operations	-	28	-28	
Minority interests	-20	-35	-15	-42.9
Net income	661	688	-27	-3.9

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

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2011	2010			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,396	2,410	2,457	2,450	2,401
Dividends and profits (losses) on investments carried at equity	7	11	-5	26	-3
Net fee and commission income	1,394	1,514	1,327	1,403	1,403
Profits (Losses) on trading	278	122	126	-3	218
Income from insurance business	120	126	173	151	204
Other operating income (expenses)	11	20	-4	1	22
Operating income	4,206	4,203	4,074	4,028	4,245
Personnel expenses	-1,374	-1,436	-1,366	-1,365	-1,369
Other administrative expenses	-720	-893	-750	-785	-738
Adjustments to property, equipment and intangible assets	-149	-169	-143	-148	-142
Operating costs	-2,243	-2,498	-2,259	-2,298	-2,249
Operating margin	1,963	1,705	1,815	1,730	1,996
Goodwill impairment	-	-	-	-	-
Net provisions for risks and charges	-13	-144	-30	-98	-86
Net adjustments to loans	-680	-838	-706	-794	-750
Net impairment losses on other assets	-17	-47	-5	-38	-5
Profits (Losses) on investments held to maturity and on other investments	14	262	-	1	10
Income (Loss) before tax from continuing operations	1,267	938	1,074	801	1,165
Taxes on income from continuing operations	-496	-296	-418	-321	-362
Merger and restructuring-related charges (net of tax)	-4	-18	-11	-27	-16
Effect of purchase price allocation (net of tax)	-86	-102	-102	-100	-92
Income (Loss) after tax from discontinued operations	-	3	-	663	28
Minority interests	-20	-20	-33	-14	-35
Net income	661	505	510	1,002	688

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

Gruppo Intesa Sanpaolo

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.03.2011	31.12.2010	Changes amount	Changes %
Financial assets held for trading	61,094	71,898	-10,804	-15.0
Financial assets designated at fair value through profit and loss	36,348	35,549	799	2.2
Financial assets available for sale	64,695	61,607	3,088	5.0
Investments held to maturity	3,001	3,839	-838	-21.8
Due from banks	41,531	42,575	-1,044	-2.5
Loans to customers	375,513	377,271	-1,758	-0.5
Investments in associates and companies subject to joint control	2,817	2,712	105	3.9
Property, equipment and intangible assets	30,990	31,162	-172	-0.6
Tax assets	8,027	8,716	-689	-7.9
Non-current assets held for sale and discontinued operations	35	75	-40	-53.3
Other assets	20,666	20,837	-171	-0.8
Total Assets	644,717	656,241	-11,524	-1.8

Liabilities and Shareholders' Equity	31.03.2011	31.12.2010	Changes amount	Changes %
Due to banks	50,474	52,485	-2,011	-3.8
Due to customers and securities issued	392,705	399,104	-6,399	-1.6
Financial liabilities held for trading	37,435	45,045	-7,610	-16.9
Financial liabilities designated at fair value through profit and loss	25,201	26,144	-943	-3.6
Tax liabilities	3,329	3,241	88	2.7
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	23,676	20,857	2,819	13.5
Technical reserves	51,896	50,188	1,708	3.4
Allowances for specific purpose	4,538	4,624	-86	-1.9
Share capital	6,647	6,647	-	-
Reserves	47,920	45,235	2,685	5.9
Valuation reserves	-766	-1,054	-288	-27.3
Minority interests	1,001	1,020	-19	-1.9
Net income	661	2,705	-2,044	-75.6
Total Liabilities and Shareholders' Equity	644,717	656,241	-11,524	-1.8

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

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

Assets	2011	2010			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	61,094	71,898	90,516	98,471	83,978
Financial assets designated at fair value through profit and loss	36,348	35,549	33,252	32,973	33,431
Financial assets available for sale	64,695	61,607	60,302	54,955	55,364
Investments held to maturity	3,001	3,839	4,205	4,307	4,341
Due from banks	41,531	42,575	45,010	48,460	47,763
Loans to customers	375,513	377,271	376,876	372,933	368,972
Investments in associates and companies subject to joint control	2,817	2,712	2,360	2,348	2,328
Property, equipment and intangible assets	30,990	31,162	30,678	30,869	30,762
Tax assets	8,027	8,716	7,822	8,096	7,533
Non-current assets held for sale and discontinued operations	35	75	48	35	7,741
Other assets	20,666	20,837	23,813	26,246	27,512
Total Assets	644,717	656,241	674,882	679,693	669,725

Liabilities and Shareholders' Equity	2011	2010			
	31/3	31/12	30/9	30/6	31/3
Due to banks	50,474	52,485	46,938	49,308	45,103
Due to customers and securities issued	392,705	399,104	406,484	410,946	403,123
Financial liabilities held for trading	37,435	45,045	58,140	56,413	48,350
Financial liabilities designated at fair value through profit and loss	25,201	26,144	26,357	26,430	27,692
Tax liabilities	3,329	3,241	3,020	2,845	3,755
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	9,375
Other liabilities	23,676	20,857	25,918	26,418	24,595
Technical reserves	51,896	50,188	49,585	48,612	47,947
Allowances for specific purpose	4,538	4,624	4,541	4,594	4,772
Share capital	6,647	6,647	6,647	6,647	6,647
Reserves	47,920	45,235	45,265	45,317	46,358
Valuation reserves	-766	-1,054	-1,134	-1,120	-339
Minority interests	1,001	1,020	921	1,593	1,659
Net income	661	2,705	2,200	1,690	688
Total Liabilities and Shareholders' Equity	644,717	656,241	674,882	679,693	669,725

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

Gruppo Intesa Sanpaolo

Breakdown of financial highlights and financial ratios by business area

Income statement (millions of euro)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Operating income	2,376	2,522	902	947	106	75	590	557	69	66	198	196
Operating costs	-1,402	-1,408	-220	-207	-19	-21	-286	-282	-32	-33	-84	-84
Operating margin	974	1,114	682	740	87	54	304	275	37	33	114	112
Net income	258	298	387	416	51	30	86	115	19	15	53	48

Balance sheet (millions of euro)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010	31.03.2011	31.12.2010
Loans to customers	182,212	180,490	110,706	110,779	40,975	40,508	30,468	30,926	114	153	2,832	2,812
Direct customer deposits	214,812	218,319	85,181	95,028	4,809	5,757	29,564	30,259	13	12	11,624	12,255

Profitability ratios (%)	Banca dei Territori		Corporate and Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Cost / Income	59.0	55.8	24.4	21.9	17.9	28.0	48.5	50.6	46.4	50.0	42.4	42.9
ROE [(a)]	10.3	10.0	18.4	18.1	17.6	10.3	14.5	19.5	115.0	96.6	42.5	38.3
Economic Value Added adjusted (EVA) [(b)] (in millions of euro)	100	117	181	192	23	2	11	43	26	24	63	61

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

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

[(b)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.