INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AT MARCH 31st 2012

CAPITAL RATIOS:

STRONG CAPITAL BASE, WELL ABOVE REQUIREMENTS:
10.5% CORE TIER 1 RATIO; 11.5% TIER 1 RATIO;
9.6% PRO-FORMA EBA CAPITAL RATIO

OPERATING INCOME:

DOUBLE DIGIT GROWTH (+14.5%) TO €4,813M VS €4,205M IN Q1 2011;
+12.8% VS €4,265M IN Q4 2011

OPERATING COSTS:

SIGNIFICANT REDUCTION (-1.6%) TO €2,207M VS €2,242M IN Q1 2011;
-6.7% VS €2,366M IN Q4 2011

OPERATING MARGIN:

STRONG GROWTH (+32.8%) TO €2,606M VS €1,963M IN Q1 2011;
+37.2% VS €1,899M IN Q4 2011

INCOME BEFORE TAX FROM CONTINUING OPERATIONS:

NOTABLE INCREASE (+21.1%) TO €1,531M VS €1,264M IN Q1 2011;
-€749M IN Q4 2011

NET INCOME:

SOLID GROWTH (+21.6%) TO €804M VS €661M IN Q1 2011;
-€10,119M IN Q4 2011

ADJUSTED NET INCOME (1):

€746M, VS €762M IN Q1 2011
265M FOR Q4 2011;

Torino, Milano, May 15th 2012 – The Intesa Sanpaolo Management Board in today's meeting approved the consolidated interim statement as at March 31st 2012 (2).

In the first quarter of 2012, the Group delivered **very positive results** in a challenging environment with strong focus on **sustainable profitability,** Intesa Sanpaolo's **key priority**:

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(1) Methodological note on calculation of adjusted net income on page 13.
(2) Methodological note on the scope of consolidation on page 13.

- **solid capital position**: **further strengthening of capital ratios** (already well above regulatory requirements) at the end of March 2012, net of the dividends accrued in the quarter. The **Core Tier 1 ratio increased to 10.5%** from 10.1% at the end of 2011 and the **pro-forma EBA ratio to 9.6%**(3), compared with the 9.2% ratio as a result of the EBA exercise conducted on the September 2011 figures and the 9% threshold;
- **liquidity**: **liquid assets of 109 billion euro** and a **broad availability of unencumbered assets eligible with Central Banks, corresponding to liquidity of 59 billion euro**, at the end of March 2012; **already in compliance with the Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements,** well ahead of deadlines (2015 and 2018 respectively); **direct deposits from banking business** up 3.2% from year-end 2011;
- **credit supporting the economy:** growth in loans to small and medium enterprises and mid corporates in Italy (up 1.5 billion euro; +1.6%) in the first quarter of 2012 versus the first quarter of 2011;
- **robust net income**: **804 million euro** in the first quarter of 2012, the **highest out of the past seven quarters** and **already equal to the payout for 2011**; **adjusted net income equal to 746 million euro**;
- **growing operating income**: up 14.5% versus the first quarter of 2011, with **net interest income up 4.6%**;
- **reduced operating costs**: down 1.6% versus the first quarter of 2011, following five consecutive years of decrease;
- **high efficiency which continues to improve**, with the **cost/income ratio down to 45.9%, best in class amongst European peers**;
- **growth in operating margin**: up 32.8% versus the first quarter of 2011 (up 37.2% versus the previous quarter);
- **rigorous and prudent provisioning policy** in a deteriorating credit environment, with
  - **loan loss provisions** of approximately 970 million euro in the quarter, up 43% compared with the first quarter of 2011, in the presence of a new doubtful and substandard loan inflow increased by 25%,
  - an **increase in the coverage ratio of non-performing loans to 45.5%** (adjusted as a result of the doubtful loan disposal and the new past due regulatory changes) from 44.1% in the first quarter of 2011,
  - a **strong reserve built on performing loans**, stable at 2.7 billion euro, equal to a prudent 80 basis-point buffer.

The rigorous and prudent provisioning policy is reflected in the **recovery ratio** on doubtful loans which increased in the quarter to 151% of their net book value from the 2009-2011 average 149%;

- **short terms initiatives activated with positive impact delivered**.

(3) Estimated on the basis of the Core Tier 1 ratio as at March 31st 2012 and the impact of sovereign risk valuation at fair value based on volumes and prices as at September 30th 2011.

The income statement for the first quarter of 2012

The consolidated income statement for Q1 2012 [(4)] recorded **operating income** of 4,813 million euro, up 12.8% from 4,265 million euro in Q4 2011 and up 14.5% from 4,205 million euro in Q1 2011.

In Q1 2012, **net interest income -** 2,501 million euro - was down 1.6% from 2,541 million euro in Q4 2011 also due to the seasonal effect of fewer working days, and up 4.6% from 2,392 million euro in Q1 2011.

Net fee and commission income amounted to 1,317 million euro, down 1.6% from 1,339 million euro in Q4 2011. The decrease was entirely due to the fee of 22 million euro paid in Q1 2012 for the state guarantee backing the Group's 12 billion euro own bonds made available with the ECB and used as collateral for the three-year refinancing operation (LTRO) of the end of December 2011. Within net fee and commission income, fees and commissions on commercial banking activities (under which the mentioned state guarantee fee was posted) decreased by 7.3% while those on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) were up by 9%. Under the latter, fees and commissions on dealing and placement of securities were up 68.7%, those on portfolio management were up 2.6% and those on distribution of insurance products were down 8.4%. Net fee and commission income in Q1 2012 was down 5.6% compared with 1,395 million euro in Q1 2011. In detail, fees and commissions on commercial banking activities increased by 0.6%, and those on management, dealing and consultancy activities were down 10.5%. As part of the latter, fees and commissions on distribution of insurance products were down 30.9%, those on portfolio management were down 12.1% while those on dealing and placement of securities were up 32.1%.

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(4) During the preparation of the interim statement at September 30th 2008, in the wake of the global financial crisis certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category "fair value through profit and loss" into the categories "available-for-sale" or the "held-to-maturity" or "loans and receivables" and out of the category "available-for-sale" into the category "loans and receivables". The Group, largely basing on the prices at July 1st 2008, reclassified financial assets held for trading of 2,373 million euro into loans and receivables and 38 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 2012 would have recorded 59 million euro as positive pre-tax impact (with a negative impact of 11 million euro in full-year 2011, a positive impact of 92 million euro in full-year 2010, 72 million euro in full-year 2009, and a negative impact of 459 million euro in full-year 2008). The Group also reclassified financial assets available for sale of 6,159 million euro into loans and receivables. Without these reclassifications, the shareholders' equity would have included 1,706 million euro as negative pre-tax direct impact at March 31st 2012 (with a positive impact of 542 million euro in the first quarter of 2012).

Profits on trading were 716 million euro (including a capital gain of 274 million euro made on the Tier 1 notes buy back), compared with 173 million euro in Q4 2011. As part of this, profits from customers increased to 113 million from 69 million euro, those from capital markets and AFS financial assets to 102 million euro from 33 million euro, those from proprietary trading and treasury activities to 481 million euro (including the aforementioned 274 million euro capital gain) from 39 million euro while profits from structured credit products declined to 20 million euro from 32 million euro. The 716 million euro profits of Q1 2012 are compared to profits of 280 million euro in Q1 2011 which posted a positive contribution of 110 million euro from customers, 22 million euro from capital markets and AFS financial assets, 121 million euro from proprietary trading and treasury activities, and 26 million euro from structured credit products. Without the IAS reclassification of financial assets held for trading into loans and receivables and financial assets available for sale made in past years, trading profits in Q1 2012 would have recorded a positive pre-tax impact of 59 million euro.

Income from insurance business increased to 258 million euro, compared with 205 million euro in Q4 2011 and 120 million euro in Q1 2011.

Operating costs decreased to 2,207 million euro, down 6.7% from 2,366 million euro in Q4 2011 which reflected seasonal year-end effects. Within this reduction, administrative expenses and adjustments were down 17.5% and 11.3% respectively while personnel expenses were up 0.6%. Costs were down 1.6% from 2,242 million euro in Q1 2011 due to decreases by 1.2% in personnel expenses and 3.7% in administrative expenses, and a 5.4% increase in adjustments.

As a result, **operating margin** amounted to 2,606 million euro, up 37.2% from 1,899 million euro in Q4 2011, and up 32.8% from 1,963 million euro in Q1 2011. The cost/income ratio was 45.9% (48.6% excluding the capital gain on the buy back), an improvement compared with 55.5% in Q4 2011 and 53.3% in Q1 2011.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to 1,069 million euro, compared with 2,509 million euro in Q4 2011 and 713 million euro in Q1 2011. Net provisions for risks and charges amounted to 37 million euro, compared with 106 million euro in Q4 2011 and 14 million euro in Q1 2011. Net adjustments to loans came to 973 million euro, compared with 2,043 million euro in Q4 2011 and 682 million euro in Q1 2011 (Q4 2011 recorded approximately 300 million for strengthening the reserve on performing loans, approximately 280 million euro for strengthening the restructured loan coverage, and approximately 130 million euro against forex mortgages at the Group’s subsidiary in Hungary). Net impairment losses on other assets came to 59 million euro (including 29 million euro impairment on Greek government bonds), compared with 360 million euro in Q4 2011 (including 321 million euro impairment on Greek government bonds), and 17 million euro in Q1 2011.

Profits/losses on investments held to maturity and on other investments recorded losses of 6 million euro, compared with losses of 139 million euro in Q4 2011 (which included a 119 million euro impairment on the Telco investment) and profits of 14 million euro in Q1 2011.

Income/loss before tax from continuing operations recorded an income of 1,531 million euro, compared with a loss of 749 million euro in Q4 2011 and an income of 1,264 million euro in Q1 2011 (up 21.1%).

Consolidated net income was 804 million euro, compared with a net loss of 10,119 million euro in Q4 2011 (which included goodwill impairment, net of tax, of 10,233 million euro), and a net income of 661 million euro in Q1 2011 (up 21.6%) - after accounting for:

- taxes of 626 million euro;
- charges (net of tax) for integration and exit incentives of 14 million euro;
- charges from purchase cost allocation (net of tax) of 73 million euro;
- minority interests of 14 million euro.

Adjusted net income for Q1 2012 - without the main non-recurring items - was 746 million euro, compared with 265 million euro in Q4 2011 and 762 million euro Q1 2011.

Balance sheet at March 31st 2012

As regards the consolidated balance sheet figures, as at March 31st 2012 **loans to customers** amounted to 378 billion euro, up 0.3% from December 31st 2011 and up 0.2% from March 31st 2011 (down 1.9% taking into account average volumes instead of those at the end of the period, following a reduction in loans to large corporates and an increase in loans to small and medium enterprises and mid corporates). Total **non-performing loans** (doubtful, substandard, restructured and past due) - net of adjustments - amounted to 24,657 million euro, up 8.6% from 22,696 million euro at year-end 2011. In detail, doubtful loans were broadly stable at 9,000 million euro from 8,998 million euro at year-end 2011, also as a result of the sale without recourse, in the first quarter of this year, of 1,640 million euro of gross doubtful loans at a price - equal to their net book value - of approximately 270 million euro. Doubtful loans to total loans ratio was 2.4% (in line with year-end 2011) and the coverage ratio was 63% (slightly down as a result of the aforementioned sale from 64% as at year-end 2011). Total coverage was 128% taking into account **collateral and guarantees** to doubtful loans in addition to specific provisions. Substandard loans increased to 10,056 million euro from 9,126 million euro at year-end 2011. Restructured loans rose to 3,466 million euro from 3,425 million euro at year-end 2011. Past due loans increased to 2,135 million euro from 1,147 million euro at year-end 2011 following regulatory changes to classification criteria (past due over 90 days vs over 180 days until December 31st 2011).

Customer financial assets were 788 billion euro (net of duplications between direct deposits and indirect customer deposits), up 2.8% from year-end 2011 and down 4.5% from end of March 2011. Under customer financial assets, **direct deposits from banking business** amounted to 372 billion euro, a 3.2% increase vs year-end 2011 and a 6% decrease vs March 31st 2011, principally attributable to institutional customers, and **direct deposits from insurance business and technical reserves** amounted to 77 billion euro, up 5.3% from year-end 2011 and up 0.4% from March 31st 2011. Indirect customer deposits amounted to 416 billion euro, up 2.5% from year-end 2011 and down 3.1% from March 31st 2011. **Assets under management** totalled 227 billion euro, up 2.3% from year-end 2011 and down 3.1% from March 31st 2011. As for bancassurance, in Q1 2012, new business for life policies amounted to 2.5 billion euro (45.9% lower than in Q1 2011). Assets under administration and in custody amounted to 189 billion euro, up 2.7% from year-end 2011 and down 3.2% from end of March 31st 2011.

As at March 31st 2012, **capital ratios** were 10.5% for the Core Tier 1 ratio (year-end 2011: 10.1%), 11.5% for the Tier 1 ratio (year-end 2011: 11.5%) and 14.2% for the total capital ratio (year-end 2011: 14.3%). Capital ratios have been calculated by applying the Basel 2 Foundation approach, and the internal models to residential mortgages and the corporate portfolio (with floor at 85%), and deducting the nominal value of the savings shares. These capital ratios are net of the dividends accrued in the quarter for year 2012, assuming the quarterly quota of the 822 million euro to be distributed from reserves in 2012 for year 2011.

The following is the estimated impact on the Group’s capital ratios from **fully phased-in Basel 3**, based on the information available so far. This impact has been calculated by applying the parameters set for 2019 to the financial statements at March 31st 2012. The estimated impact comprises:
- 1.9 billion euro in total deductions from common equity assuming that the equity investment in the Bank of Italy is deducted and considering the expected absorption of deferred tax assets (DTAs) before the full phasing-in of Basel 3,
- an additional 11.9 billion euro of RWAs due to DTAs and investments in banks, financial entities and insurance companies which are below the deduction limit,
- an additional 2.5 billion euro of RWAs due to DTAs included in risks weighted at 100% (relating to loan adjustments and realignment of intangible assets), and
- an additional 6.6 billion euro of RWAs due to counterparty risks.

The estimated total impact of the above on the Core Tier 1 ratio is approximately 120 basis points (the actual impact is subject to the implementation of the relevant regulations). The impact is reduced to approximately 30 basis points considering the benefit from the optimisation actions on capital sources and requirements, as well as the absorption of sovereign risk shock.

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

- a **robust liquidity profile** with
  - a broad availability of unencumbered assets eligible with Central Banks, corresponding to liquidity of 59 billion euro at the end of March 2012. The Group's refinancing operations with the ECB to optimise the cost of funding amounted to 36 billion euro at the end of March 2012, entirely made up of three-year LTRO,
  - high level of liquid assets (made up of eligible assets unencumbered and eligible assets currently used as collateral) of 109 billion euro at the end of March 2012,
  - stable and well-diversified sources of funding, with nearly 80% of direct deposits from banking business (including securities issued) generated from retail operations,
  - medium-long-term funding at the current date equal to 50% of total 2012 maturities, with approximately 11 billion euro already placed, of which approximately 8 billion euro were retail placement,
  - a 1.5 billion eurobond 18-month issue placed on international markets at the end of January 2012, the first senior unsecured benchmark issue from a eurozone peripheral bank in three months with a demand - 70% from foreign investors - exceeding the one billion euro initial target by 150%. On February 20th 2012, a one billion eurobond 5-year issue was placed on international markets, the first senior unsecured benchmark issue from a eurozone peripheral bank with longer maturity than the ECB's three-year LTRO, with a demand - 70% from foreign investors - exceeding the target by 120%;
- **low leverage and an adequate capital base** with
  - much lower leverage and one of the best ratios of tangible net shareholders' equity to tangible assets amongst major European banking groups,
  - a 9.6% pro-forma EBA ratio as at March 31st 2012 (estimated on the basis of the Core Tier 1 ratio as at March 31st 2012 and the impact of sovereign risk valuation at fair value based on volumes and prices as at 30th September 2011), compared with the 9.2% ratio as a result of the EBA exercise conducted on European banks' capital adequacy and based on September 2011 figures, and the 9% ratio threshold;
- a **low risk profile** with
  - the Group's securities portfolio at the end of March 2012 comprising Greek bonds (issued by the central and local governments) of 137 million euro (including a Hellenic Railways bond of 43 million euro backed by state guarantee), Irish bonds of 241 million euro and Portuguese bonds of 33 million euro.

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The Group had a **gross and net risk exposure** to structured credit products with underlying **US subprime** of 12 million euro as at March 31st 2012. Full and detailed information concerning structured credit products held by the Group is included - as usual - in the Interim Statement as at March 31st 2012 approved by the Management Board.

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As at March 31st 2012, the Intesa Sanpaolo Group's **operating structure** had a total network of 7,219 branches - of which 5,648 were in Italy and 1,571 abroad - with 99,504 employees.

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Breakdown of results by business area

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

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

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

In the first quarter of 2012, the Corporate and Investment Banking Division recorded:
- operating income of 1,188 million euro, accounting for 25% of the consolidated operating income (24% in Q1 2011), up 48.6% from 799 million euro in Q4 2011 and up 17.9% from 1,008 million euro in Q1 2011;
- operating costs of 248 million euro, down 2.3% from 254 million euro in Q4 2011 and up 3.8% from 239 million euro in Q1 2011;
- operating margin of 940 million euro, up 72.3% from 546 million euro in Q4 2011 and up 22.2% from 769 million euro in Q1 2011;
- a cost/income ratio improving to 20.9% versus 31.8% in Q4 2011 and 23.7% in Q1 2011;
- net provisions and adjustments of 226 million euro, compared with 875 million euro in Q4 2011 and 102 million euro in Q1 2011;
- losses on investments held to maturity and on other investments of 8 million euro, compared with losses of 123 million euro in Q4 2011 (mainly due to the impairment on the Telco investment) and 2 million euro in Q1 2011;
- income before tax from continuing operations of 706 million euro, compared with a loss of 453 million euro in Q4 2011 (due the Telco impairment and the strengthening of the restructured loan coverage) and an income of 665 million euro in Q1 2011;
- net income of 465 million euro, compared with net loss of 2,698 million euro in Q4 2011 (which included goodwill impairment, net of tax, of 2,318 million euro) and net income of 438 million euro in Q1 2011.

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

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

In the first quarter of 2012, the Banca dei Territori Division recorded:

- operating income of 2,502 million euro, accounting for 52% of the consolidated operating income (57% in Q1 2011), down 0.9% from 2,525 million euro in Q4 2011 and up 4.6% from 2,391 million euro in Q1 2011;
- operating costs of 1,394 million euro, down 3.2% from 1,440 million euro in Q4 2011 and down 1.6% from 1,417 million euro in Q1 2011;
- operating margin of 1,108 million euro, up 2.1% from 1,085 million euro in Q4 2011 and up 13.8% from 974 million euro in Q1 2011;
- a cost/income ratio improving to 55.7% versus 57% in Q4 2011 and 59.3% in Q1 2011;
- net provisions and adjustments of 590 million euro, compared with 907 million euro in Q4 2011 and 444 million euro in Q1 2011;
- income before tax from continuing operations of 518 million euro, compared with 178 million euro in Q4 2011 and 530 million euro in Q1 2011;
- net income of 215 million euro, compared with net loss of 6,456 million euro in Q4 2011 (which recorded goodwill impairment, net of tax, of 6,390 million euro) and net income of 255 million euro in Q1 2011.

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

In the first quarter of 2012, Eurizon Capital recorded:

- operating income of 62 million euro, accounting for 1% of the consolidated operating income (2% in Q1 2011), down 6.5% from 66 million euro in Q4 2011 and down 10.1% from 69 million euro in Q1 2011;
- operating costs of 29 million euro, up 8.5% from 27 million euro in Q4 2011 and down 9.4% from 32 million euro in Q1 2011;
- operating margin of 33 million euro, down 16.5% from 40 million euro in Q4 2011 and down 10.8% from 37 million euro in Q1 2011;
- a cost/income ratio of 46.8% versus 40.9% in Q4 2011 and 46.4% in Q1 2011;
- no provisions and adjustments, compared with 2 million euro in Q4 2011 and zero in Q1 2011;
- income before tax from continuing operations of 33 million euro from 37 million euro in both Q4 2011 and Q1 2011;
- net income of 17 million euro, compared with net loss of 352 million euro in Q4 2011 (which posted goodwill impairment, net of tax, of 373 million euro) and net income of 18 million euro in Q1 2011.

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

In the first quarter of 2012, the International Subsidiary Banks Division recorded:

- operating income of 549 million euro, accounting for 11% of the consolidated operating income (14% in Q1 2011), down 8.4% from 599 million euro in Q4 2011 and down 6.9% from 590 million euro in Q1 2011;
- operating costs of 288 million euro, down 7.3% from 311 million euro in Q4 2011 and up 0.7% from 286 million euro in Q1 2011;
- operating margin of 261 million euro, down 9.6% from 289 million euro in Q4 and down 14.1% from 304 million euro in Q1 2011;
- a cost/income ratio of 52.5% versus 51.9% in Q4 2011 and 48.5% in Q1 2011;
- net provisions and adjustments of 213 million euro compared with 265 million euro in Q4 2011 and 183 million euro in Q1 2011;
- profits on investments held to maturity and on other investments of one million euro compared with losses of 1 million in Q4 2011 and profits of 2 million in Q1 2011;
- income before tax from continuing operations of 49 million euro, compared with 23 million euro in Q4 2011 and 123 million euro in Q1 2011;
- net income of 24 million euro, compared with net loss of 1,106 million euro in Q4 2011 (which posted goodwill impairment, net of tax, of 1,152 million euro) and net income of 86 million euro in Q1 2011.

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 2012, Banca Fideuram recorded:

- operating income of 222 million euro, accounting for 5% of the consolidated operating income (the same contribution as in Q1 2011), up 21.8% from 182 million euro in Q4 2011 and up 10.4% from 201 million euro in Q1 2011;
- operating costs of 84 million euro, up 2.5% from 82 million euro in Q4 2011 and down 3.4% from 87 million euro in Q1 2011;
- operating margin of 138 million euro, up 37.6% from 100 million euro in Q4 2011 and up 21.1% from 114 million euro in Q1 2011;
- a cost/income ratio improving to 37.8% versus 45.1% in Q4 2011 and 43.3% in Q1 2011;
- net provisions and adjustments of 28 million euro, compared with 42 million euro in Q4 2011 and 8 million euro in Q1 2011;
- income before tax from continuing operations of 110 million euro from 59 million euro in Q4 2011 and 106 million euro in Q1 2011;
- net income of 59 million euro, compared with 20 million euro in Q4 2011 and 52 million euro in Q1 2011.

<u>The outlook for 2012</u>

In 2012, the Group will continue to prioritise sustainable profitability through efficient liquidity allocation, attentive management of all risks and constant pursuit of efficiency and productivity.

In the light of the positive revenue performance in the first quarter, 2012 operating performance is expected to remain broadly stable, net of last year's non-recurring items, also as a consequence of ongoing cost containment actions and constant monitoring of asset quality, which will allow the Group to maintain the cost of credit under control - albeit still at a high level due to deteriorated economic conditions.

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

1. the acquisition of control of Banca Monte Parma finalised in July 2011. For the first two quarters of 2011, relevant items were consolidated line by line and their contribution to net income was recorded under minority interests;
2. the acquisition of control of Banca Sara finalised in June 2011. The company was included in the scope of full consolidation in the income statement of the third quarter of 2011. For the first two quarters of 2011, relevant items were consolidated line by line and their contribution to net income was recorded under minority interests.

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

1. for the first two quarters of 2011 consolidating line by line the items related to Banca Monte Parma;
2. for the first quarter of 2011 consolidating line by line the items related to Banca Sara.

Lastly, income statement and balance sheet figures relating to business areas were restated for the four quarters of 2011:

1. as a result of the attribution of the Banca Monte Parma contribution to the relevant business units (previously entirely attributed to the Banca dei Territori Division);
2. as a result of the allotment of BIIS (public finance) to the Corporate and Investment Banking Division.

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

in the first quarter of 2012: 1) 274 million euro capital gain on the Tier 1 notes buy back, recorded under profits on trading and related taxes, resulting in a net capital gain of 183 million euro, 2) 38 million euro impairment charges relating to Greek risk - of which 2 million euro were recorded under profits (losses) on trading, 7 million euro posted as a negative contribution to income from insurance business and 29 million euro booked under net impairment losses on other assets - and related tax savings, resulting in net impairment charges of 27 million euro, 3) 11 million euro extraordinary tax relating to the Group’s subsidiary in Hungary, recorded under taxes on income from continuing operations, 4) 20 million euro charges for integration and exit incentives and related tax savings resulting in net charges of 14 million euro, and 5) 73 million euro charges from purchase cost allocation, net of tax;

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

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

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

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

* * *

In order to present more complete information on the results generated in the first quarter of 2012, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the interim statement approved by the Management Board are attached. Please note that both these statements and the interim statement have not been reviewed by the Auditing company.

* * *

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.

Investor Relations
+39.02.87943180
investor.relations@intesasanpaolo.com

Media Relations
+39.02.87963531
stampa@intesasanpaolo.com

group.intesasanpaolo.com

Gruppo Intesa Sanpaolo

Reclassified consolidated statement of income

(millions of euro)

	31.03.2012	31.03.2011	Changes	
			amount	%
Net interest income	2,501	2,392	109	4.6
Dividends and profits (losses) on investments carried at equity	26	7	19	
Net fee and commission income	1,317	1,395	-78	-5.6
Profits (Losses) on trading	716	280	436	
Income from insurance business	258	120	138	
Other operating income (expenses)	-5	11	-16	
Operating income	4,813	4,205	608	14.5
Personnel expenses	-1,356	-1,372	-16	-1.2
Other administrative expenses	-694	-721	-27	-3.7
Adjustments to property, equipment and intangible assets	-157	-149	8	5.4
Operating costs	-2,207	-2,242	-35	-1.6
Operating margin	2,606	1,963	643	32.8
Net provisions for risks and charges	-37	-14	23	
Net adjustments to loans	-973	-682	291	42.7
Net impairment losses on other assets	-59	-17	42	
Profits (Losses) on investments held to maturity and on other investments	-6	14	-20	
Income (Loss) before tax from continuing operations	1,531	1,264	267	21.1
Taxes on income from continuing operations	-626	-496	130	26.2
Charges (net of tax) for integration and exit incentives	-14	-4	10	
Effect of purchase price allocation (net of tax)	-73	-86	-13	-15.1
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-14	-17	-3	-17.6
Net income (loss)	804	661	143	21.6
Basic EPS - euro	0.05	0.05		
Diluted EPS - euro	0.05	0.05		

Figures restated where required by international accounting standards and, 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)

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

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

Gruppo Intesa Sanpaolo

Reclassified consolidated balance sheet

(millions of euro)

Assets	31.03.2012	31.12.2011	Changes	
			amount	%
Financial assets held for trading	60,328	59,963	365	0.6
of which: Insurance Companies	1,331	1,341	-10	-0.7
Financial assets designated at fair value through profit and loss	35,971	34,253	1,718	5.0
of which: Insurance Companies	35,015	33,391	1,624	4.9
Financial assets available for sale	85,224	68,777	16,447	23.9
of which: Insurance Companies	40,623	39,194	1,429	3.6
Investments held to maturity	2,266	2,621	-355	-13.5
Due from banks	32,431	35,865	-3,434	-9.6
Loans to customers	378,050	376,744	1,306	0.3
Investments in associates and companies subject to joint control	2,672	2,630	42	1.6
Property, equipment and intangible assets	20,465	20,577	-112	-0.5
Tax assets	12,340	14,702	-2,362	-16.1
Non-current assets held for sale and discontinued operations	26	26	-	-
Other assets	22,857	23,063	-206	-0.9
Total Assets	652,630	639,221	13,409	2.1

Liabilities and Shareholders' Equity	31.03.2012	31.12.2011	Changes	
			amount	%
Due to banks	75,744	78,644	-2,900	-3.7
Due to customers and securities issued	368,657	357,410	11,247	3.1
of which: Insurance Companies	343	403	-60	-14.9
Financial liabilities held for trading	47,907	48,740	-833	-1.7
of which: Insurance Companies	23	29	-6	-20.7
Financial liabilities designated at fair value through profit and loss	24,496	22,653	1,843	8.1
of which: Insurance Companies	23,637	21,955	1,682	7.7
Tax liabilities	3,149	4,064	-915	-22.5
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	24,640	24,225	415	1.7
Technical reserves	53,023	50,761	2,262	4.5
Allowances for specific purpose	4,945	4,966	-21	-0.4
Share capital	8,546	8,546	-	-
Reserves	41,800	49,982	-8,182	-16.4
Valuation reserves	-1,805	-3,298	-1,493	-45.3
Minority interests	724	718	6	0.8
Net income (loss)	804	-8,190	8,994	
Total Liabilities and Shareholders' Equity	652,630	639,221	13,409	2.1

Figures restated where required by international accounting standards and, 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	2012	2011			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	60,328	59,963	69,934	60,584	61,141
of which: Insurance Companies	1,331	1,341	1,371	1,625	1,690
Financial assets designated at fair value through profit and loss	35,971	34,253	35,212	36,303	36,349
of which: Insurance Companies	35,015	33,391	34,345	35,354	35,230
Financial assets available for sale	85,224	68,777	70,950	69,007	64,845
of which: Insurance Companies	40,623	39,194	40,733	41,837	41,137
Investments held to maturity	2,266	2,621	2,872	2,865	3,021
Due from banks	32,431	35,865	40,449	43,258	40,449
Loans to customers	378,050	376,744	381,192	374,979	377,252
Investments in associates and companies subject to joint control	2,672	2,630	2,732	2,694	2,817
Property, equipment and intangible assets	20,465	20,577	30,876	30,798	30,903
Tax assets	12,340	14,702	11,259	7,886	8,079
Non-current assets held for sale and discontinued operations	26	26	30	38	35
Other assets	22,857	23,063	21,816	19,182	20,703
Total Assets	652,630	639,221	667,322	647,594	645,594

Liabilities and Shareholders' Equity	2012	2011			
	31/3	31/12	30/9	30/6	31/3
Due to banks	75,744	78,644	72,978	50,182	51,087
Due to customers and securities issued	368,657	357,410	369,459	389,511	392,736
of which: Insurance Companies	343	403	216	230	237
Financial liabilities held for trading	47,907	48,740	53,952	38,216	37,431
of which: Insurance Companies	23	29	76	43	42
Financial liabilities designated at fair value through profit and loss	24,496	22,653	23,558	24,729	25,201
of which: Insurance Companies	23,637	21,955	22,814	23,969	24,403
Tax liabilities	3,149	4,064	4,857	3,299	3,342
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
Other liabilities	24,640	24,225	26,697	24,330	23,765
Technical reserves	53,023	50,761	52,217	52,887	51,896
Allowances for specific purpose	4,945	4,966	4,978	4,405	4,561
Share capital	8,546	8,546	8,546	8,546	6,647
Reserves	41,800	49,982	49,906	49,924	47,920
Valuation reserves	-1,805	-3,298	-2,827	-937	-766
Minority interests	724	718	1,072	1,100	1,113
Net income (loss)	804	-8,190	1,929	1,402	661
Total Liabilities and Shareholders' Equity	652,630	639,221	667,322	647,594	645,594

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

Gruppo Intesa Sanpaolo

Breakdown of financial highlights by business area

Income statement (millions of euro)	Corporate and Investment Banking		Banca dei Territori		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.201
Operating income	1,188	1,008	2,502	2,391	549	590	62	69	222	201
Operating costs	-248	-239	-1,394	-1,417	-288	-286	-29	-32	-84	-87
Operating margin	940	769	1,108	974	261	304	33	37	138	114
Net income (loss)	465	438	215	255	24	86	17	18	59	52

Balance sheet (millions of euro)	Corporate and Investment Banking		Banca dei Territori		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011	31.03.2012	31.12.2011	31.03.2012	31.12.2011	31.03.2012	31.12.201
Loans to customers	148,665	149,201	183,890	187,435	30,335	30,676	105	109	3,413	3,439
Direct deposits from banking business	99,662	90,528	200,705	197,280	30,432	30,667	10	9	6,791	6,367

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.