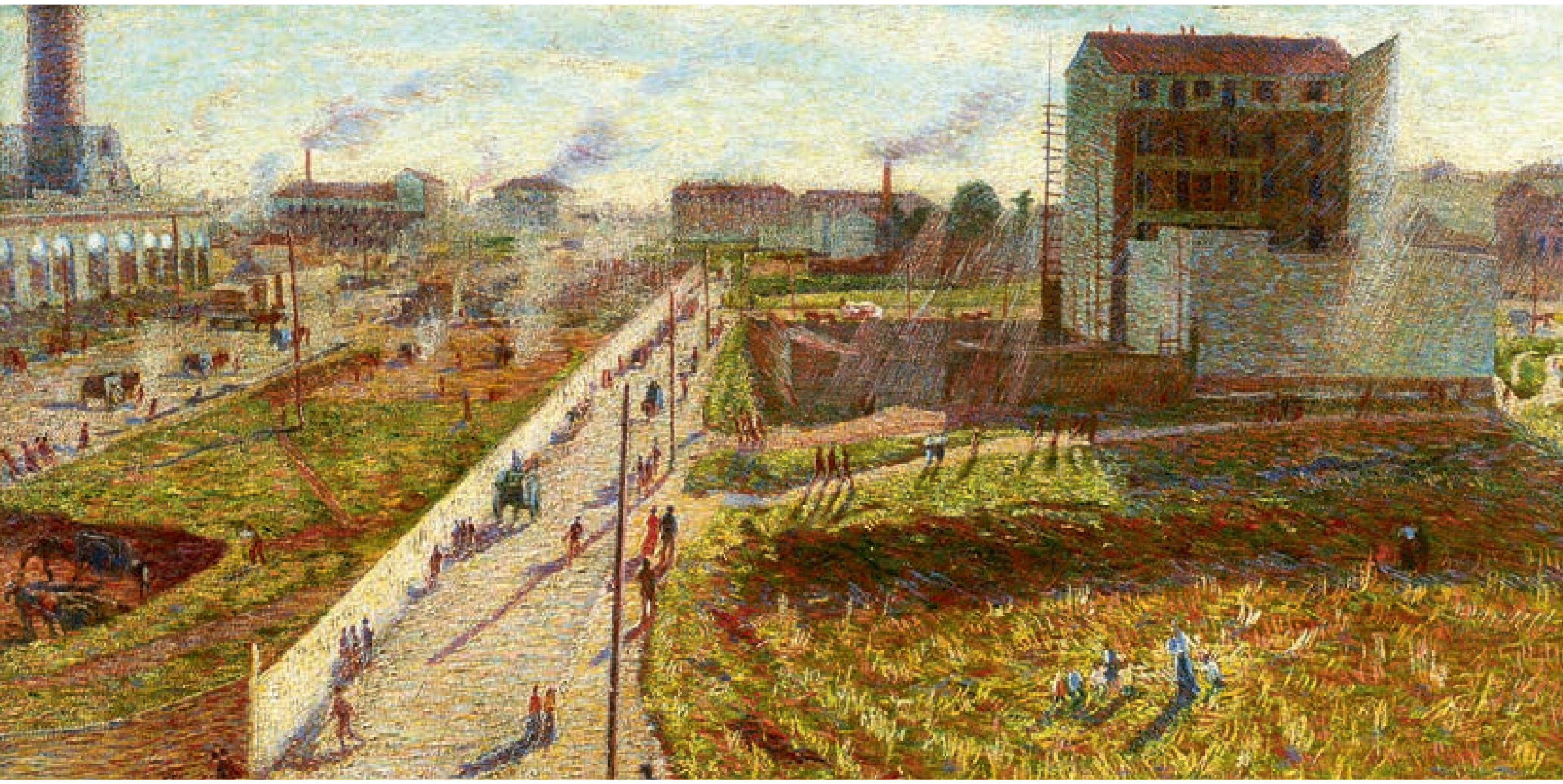
Interim Statement as at 31 March 2013



This is an English translation of the Italian language original "Resoconto intermedio al 31 marzo 2013" that has been prepared solely for the convenience of the reader. The Italian language original "Resoconto intermedio al 31 marzo 2013" was approved by the Management Board of Intesa Sanpaolo on 14 May 2013 and is available on group.intesasanpaolo.com

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

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

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

Interim Statement as at 31 March 2013

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

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INTESA SANPAOLO PRIVATE BANKING

MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,560	Intesa Sanpaolo Private Banking	57
	Banca Fideuram	37
	Banca Prossima	22
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
20	CR del Veneto	408
	CR in Bologna	207
	CR del Friuli Venezia Giulia	133
	CR di Forlì e della Romagna	110
	CR Venezia	110
	Banca di Trento e Bolzano	80
	Banca Monte Parma	72
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	13
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
255	Banca CR Firenze	650
	Banca dell'Adriatico	144
	Banca Fideuram	22
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	8
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
9	Banco di Napoli	713
	Banca dell'Adriatico	123
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
177	Banca di Credito Sardo	94
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 31 March 2013

Product Companies

INTESA SANPAOLO VITA

Bancassurance

EurizonCapital

Asset Management

INTESA SANPAOLO PERSONAL FINANCE

NEOS FINANCE

Consumer Credit

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Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

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

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

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

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

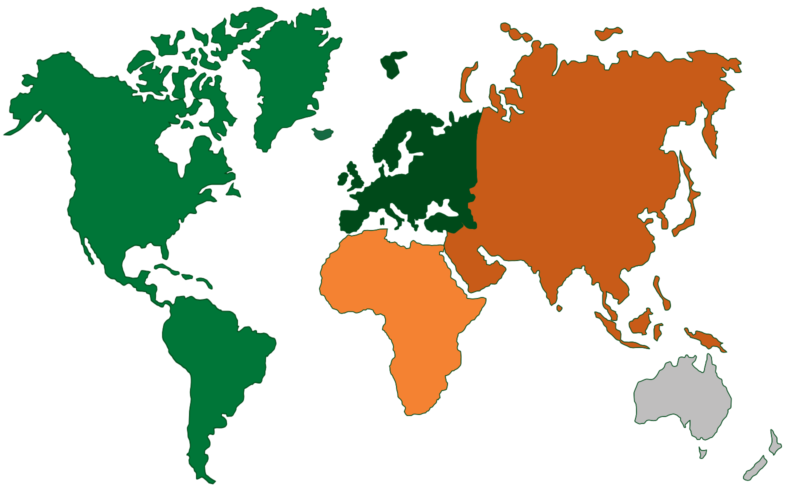
Representative Offices
Sydney

ASIA

Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul
	Tehran(3)

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	211
Czech Republic	VUB Banka	1
Hungary	CIB Bank	107
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	83
Russian Federation	Banca Intesa	75
Serbia	Banca Intesa Beograd	196
Slovakia	VUB Banka	239
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	259
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	200
Casablanca			
Tunis			

Figures as at 31 March 2013
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) Suspended business

Product Companies

CONSUMER FINANCE HOLDING | INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

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

Asset Management

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

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

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

Management Board

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

General Managers

Enrico Tommaso CUCCHIANI
Giuseppe CASTAGNA
Carlo MESSINA (*)
Gaetano MICCICHÈ

Manager responsible for preparing the Company's financial reports

Ernesto RIVA

Independent Auditors

KPMG S.p.A.

(*) Deputy to the CEO

OVERVIEW OF THE FIRST QUARTER 2013

Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)			Changes amount	Changes %
Net interest income	2,022	2,501	-479	-19.2
Net fee and commission income	1,466	1,317	149	11.3
Profits (losses) on trading	455	716	-261	-36.5
Income from insurance business	231	258	-27	-10.5
Operating income	4,119	4,813	-694	-14.4
Operating costs	-2,096	-2,207	-111	-5.0
Operating margin	2,023	2,606	-583	-22.4
Net adjustments to loans	-1,166	-973	193	19.8
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	306	804	-498	-61.9

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

	Operating income		Operating costs	
Banca dei Territori	2,592	2,507	1,321	1,395
Corporate and Invest. Banking	1,092	1,163	239	248
International Subsidiary Banks	518	547	287	287
Eurizon Capital	74	64	26	30
Banca Fideuram	195	231	81	84

	Operating margin		Net income (loss)	
Banca dei Territori	1,271	1,112	224	219
Corporate and Invest. Banking	853	915	384	447
International Subsidiary Banks	231	260	37	24
Eurizon Capital	48	34	28	17
Banca Fideuram	114	147	57	59

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

31.03.2013

31.03.2012

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.03.2013	31.12.2012	**Changes** amount	**Changes** %
Financial assets	197,483	199,790	-2,307	-1.2
of which: Insurance Companies	*79,129*	*80,400*	*-1,271*	*-1.6*
Loans to customers	371,561	376,625	-5,064	-1.3
Total assets	667,107	673,582	-6,475	-1.0
Direct deposits from banking business	379,263	380,353	-1,090	-0.3
Direct deposits from insurance business and technical reserves	83,804	81,766	2,038	2.5
Indirect deposits:	413,162	413,796	-634	-0.2
of which: Assets under management	*239,478*	*231,491*	*7,987*	*3.5*
Shareholders' equity	49,377	49,320	57	0.1

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

	Loans to customers 31.03.2013	**Loans to customers** 31.12.2012	**Direct deposits from banking business** 31.03.2013	**Direct deposits from banking business** 31.12.2012
Banca dei Territori	180,231	182,077	201,499	201,540
Corporate and Invest.Banking	141,008	143,134	115,144	109,700
International Subsidiary Banks	28,860	29,312	30,672	31,163
Eurizon Capital	114	226	7	7
Banca Fideuram	4,251	3,985	7,381	6,672

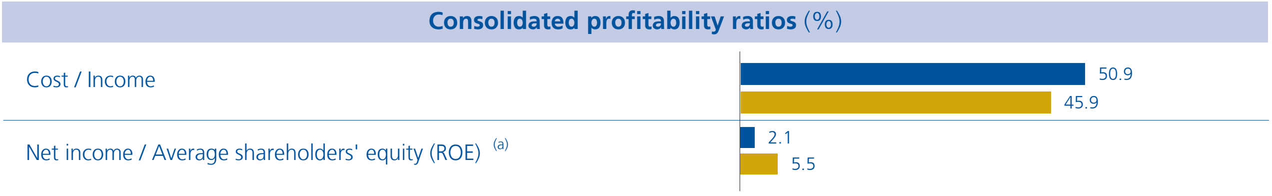
Operating structure	**31.03.2013**	**31.12.2012**	**Changes amount**
Number of employees	**95,013**	**96,170**	**-1,157**
Italy	65,655	66,443	-788
Abroad	29,358	29,727	-369
Number of financial advisors	**5,120**	**5,082**	**38**
Number of branches [(a)]	**6,709**	**6,841**	**-132**
Italy	5,181	5,302	-121
Abroad	1,528	1,539	-11

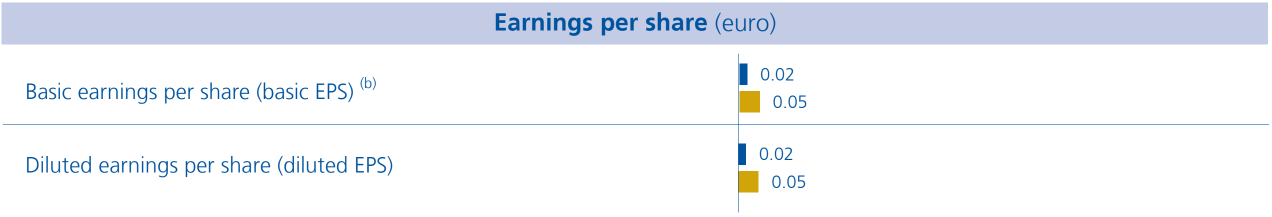
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

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

31.03.2013
31.12.2012

Other alternative performance measures





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

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

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

Consolidated risk ratios (%)

	31.03.2013	31.12.2012
Net doubtful loans / Loans to customers	3.1	3.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	60.6	60.5

Consolidated capital ratios (%) [c]

	31.03.2013	31.12.2012
Tier 1 capital [d] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	10.7	11.2
Tier 1 capital [d] / Risk-weighted assets	11.6	12.1
Total capital [e] / Risk-weighted assets	13.6	13.6
Risk-weighted assets (millions of euro)	297,658	298,619

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

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

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

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

31.03.2013
31.12.2012

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The initial months of 2013 showed some timid signs of a strengthening in global economic activity. The improvement was more evident in the United States, which also saw positive repercussions on employment, and in Japan, which benefitted from the positive effects on confidence resulting from the expansionary economic policy introduced by the new government.
Unfortunately, however, this cyclical progress did not appear to the same extent in Europe. The Eurozone saw an improvement in the confidence indices and lower decline in activity level compared to the fourth quarter of 2012, but it is not a true recovery. In fact, the predominant stance of the European fiscal policies remained highly restrictive and, in the Mediterranean countries, financial conditions continue to be more unfavourable compared to the countries in Northern Europe. In terms of the debt crisis, the difficult negotiations on the Cyprus support plan have concluded, resulting in a drastic restructuring of the two main banking institutes and the use of deposits over the guaranteed European threshold level. Reviews of the other programmes in progress (Greece, Portugal, Ireland and Spain) ended positively.
The Italian economy's recessive phase extended into the first quarter of 2013, though the pace of the decline in activity had slowed considerably compared to the end of 2012. Signs of a trend in this direction have been observed in industrial production and by economic surveys. Nevertheless, the overall situation continues to be penalised by a sharp reduction in the income levels of households, accompanied by a highly unfavourable trend in employment levels.
Without any monetary policy interventions, money market rates remained stable in the Eurozone during the first quarter. IRS rates, up in January and February, declined again in March, approaching the levels at the end of 2012. A similar trend was noted on the bond yields of countries with high ratings. The Italian market saw a sharp decline in yields during the month of January, which then recovered as a result of uncertainty on the elections at the end of February. The political stalemate that followed had relatively limited negative repercussions on risk premiums and rates, and it did not prevent a new cautious inflow of foreign capital into the Italian market at the end of the quarter.
The expansive monetary policy adopted by the Bank of Japan led to a net depreciation of the yen on the currency markets. The exchange rate against the euro rose by approximately 20% between December 2012 and March 2013. The euro recorded a temporary strengthening against the dollar as well, which however was largely offset during the month of March.

The emerging economies and markets

According to preliminary estimates by the International Monetary Fund, the overall GDP growth rate in emerging economies declined in 2012 to 5.1%, from 6.4% in 2011. The deceleration was particularly marked in the CIS countries, where the annual trend growth rate in GDP declined to 1.5% in the fourth quarter of 2012 from 4.3% during the same quarter of 2011, in Central and South-Eastern Europe (including Turkey), where the annual trend rate declined from 3.6% in the fourth quarter of 2011 to 1.4% in the last quarter of 2012, and in Latin America (from 3.7% to 2.7% during the same periods).
The emerging economies in Asia, on the other hand, closed 2012 with slightly higher growth (7.2% compared to 6.9%).
The trend in production activities declined further during the early months of 2013. Considering the countries where the Group operates through subsidiaries, production declined in February 2013 to a significant extent in Ukraine (-8.4% year on year), Hungary (-5.4%) and Croatia (-2.9%), as well as in Russia (-0.3%), while it showed signs of recovery in Serbia (+13.1%) and Romania (+6.7%).
The overall trend in inflation is under control. The freezing of tariffs continued in Ukraine, resulting in a negative annual rate (-0.8% in March 2013), while the unblocking of tariffs in Russia led to a sharp acceleration of the price index (from 3.7% in March 2012 to 7% in March 2013). Inflation accelerated in Egypt as well, at 7% in March 2013 from 4.4% in December 2012.
Rates in Hungary were cut during the first quarter of 2013 (base rate reduced to 5% in March 2013 and then to 4.75% in April). The Central Bank in Serbia raised interest rates by 25 basis points (to 11.75% in February) to curb inflationary pressures. The Egyptian Central Bank increased rates as well (+50 basis points in March, with the main benchmark rate at 10.25%) as a support to its currency.
During the first quarter of 2013, the MSCI composite index of emerging markets dropped by 0.8%. An adjustment in prices was recorded in Russia (-4.4%) and Brazil (-7.6%), following the downward adjustments in growth estimates for 2013, and good performance in Romania (9.3%), Serbia (18.3%) and Croatia (15.4%). The currencies of Central Eastern Europe depreciated slightly against the dollar from January to March 2013, impacted by renewed weakness of the euro and by specific problems such as the Hungarian forint (whose exchange rate at the end of March was 304 HUF per euro).
The spreads on sovereign debt at the end of March 2013 were higher than the figures at the end of December 2012 in all major emerging areas. The most significant increases were in Europe, on the heels of new concerns regarding the Eurozone (Cyprus), with cuts in rating and/or outlook involving Hungary, Slovenia and Croatia. The difficult economic situation and political uncertainty have resulted in rating cuts and in the demand for a higher risk premium in Egypt as well.

The banking system

Rates and spreads

Bank rates showed signs of a moderate easing in the first quarter of 2013, although not generalised. Credit market conditions continued to be impacted by high credit risk, with a significantly higher capitalisation level of banks and stronger liquidity position. The total cost of funding remained high but began to record a slight decline. With a significant recovery in customer deposit volumes, the average rate on deposits began to decline, benefitting from small reductions in rates on current accounts and on the stock of time deposits. In particular, the average rate on time deposits dropped under 3% in February, returning to values recorded at the end of 2011, after accumulating a steady series of small monthly declines since August 2012.
Conversely, the rate on bonds held tight, recording a slight increase that places it above the average recorded in the fourth quarter of 2012, as well as in the entire previous year, presumably due to the growing weight of high-rate issues carried out previously. At the same time, the marginal cost of issues made during the initial months of 2013 was down compared to the end of 2012 and to an even greater extent if compared to the peaks of one year earlier.
Thanks to easing of the average rate on the stock of deposits, the total cost of existing funding [1] declined slightly during the first quarter, confirming the initial signs of an inversion in trend after the essential stability at high levels recorded last year.
Signs of a reduction became clearer for the rates on new loans as well, after a number of uncertain trends during the second half of 2012. The average rate on new loans to non-financial companies resumed its decline, leaving behind the recovery recorded during the last four months of 2012. The trend in the average rate was impacted by the changes in the rate on new, larger transactions (over 1 million euro), which dropped again during the first quarter, offsetting the increases of the previous months. The rate on loans of up to 1 million euro, however, continued to show a regular decline.
Rates on existing loans showed a marginal change during the first quarter, essentially stabilising at the levels recorded at the end of 2012, after the downturn of the previous months. The average rate on the stock of loans to households and non-financial companies was slightly lower on a quarterly basis compared to the figure for the last quarter of 2012, but significantly lower than the highs at the beginning of 2012.
With signs of a reduction in the cost of funding, the overall margin on lending and deposit collection activities ended its decline, recovering slightly during the first quarter. The spread between average interest rates on the amounts of loans and deposits rose from the lows reached during the last part of 2012, although still remaining at historically low levels (1.90% during the first quarter from 1.85% during the last part of 2012 and 2.23% in the first quarter of 2012). The spread on funding, measured on short-term rates, remained in negative territory, where it has been since March 2012, but recovered slightly from the lows, thanks to the slight reduction in rates on current accounts (mark-down[2] on the 1-month Euribor estimated at -0.38% for the first quarter of 2013 from -0.43% for the fourth quarter of 2012 and -0.20% on average from 2012). The mark-up[3] on the 1-month Euribor exceeded 5% on average during the quarter, reaching at the beginning of the year a new high for the available historical series from 2003 (5.07% average for the first quarter from 5.05% for the fourth quarter of 2012 and an average of 4.90% for 2012). As a result of these trends, the short-term spread remained high, although it was slightly down compared to the highs recorded during the first quarter of 2012 (4.69% average for the first quarter of 2013, -13 basis points compared to the same period in 2012).

Loans

Lending activity remained weak. Loans to non-financial companies confirmed their decline, but the extent of this decline (-2.8% year on year in March) eased in comparison to what was recorded from September to November 2012 (-3.4% year on year in November 2012). This trend was the result of a decline in both short-term loans as well as medium/long-term loans, impacted by the drop in demand for investment loans. In the first quarter of 2013 as well, the extent of the decline in loans to businesses did not show any significant differences by borrower size, unlike the previous recession of 2009, when loans to smaller businesses held steadier than those to larger companies.
Loans to households showed a limited decline, in line with the end of 2012 results. Among the components of the aggregate, the stock of mortgage loans was slightly down in March for the fifth month running. Monthly disbursements of new mortgage loans to households remained at record lows. As a whole, loans to households and businesses showed a slight slowdown in their decline.
The decline in loans reflected the fall in demand linked to the recession, the drop in investments, uncertainty in the economic outlook and the low confidence level of businesses and households. Furthermore, among the factors that determine supply, fears of deterioration in the creditworthiness of borrowers and worsening credit quality, as indicated by the further growth in doubtful loans, continued to prevail. Therefore, the credit market has maintained a highly prudent attitude, although within a less restrictive context compared to the months between the end of 2011 and beginning of 2012.

[1] Average cost of deposits calculated by weighting with the volumes net of the bonds held by Italian Monetary Financial Institutions, the deposits of central counterparties and those as counterparty of loans sold and not derecognised.
[2] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[3] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

Direct deposits

The recovery trend in bank funding observed in the last part of 2012 strengthened further, resuming a moderate growth rate driven by deposits by residents. Deposits showed an increasing trend during the first quarter, thanks to the solidity of household deposits, but also to growth in deposits by non-financial companies. The trend strengthened further following the turnaround in current accounts, which showed a net recovery during the quarter, after over two years of negative changes. Along with the recovery in demand deposits, the constant flow of savings towards time deposits persisted, continuing to accumulate increases from month to month. With regard to bank bonds, the decline in stock remained significant, if we exclude those held in banks' own portfolios, which include issues used as collateral for refinancing operations in the Eurosystem. This trend is impacted on the one hand by the uneven performance of placements of securities for institutional customers on the wholesale market and, on the other, by the substitution effect involving issues for households, to the benefit of time deposits.

Indirect deposits and asset management

With regard to assets under administration, there was a continued decline in debt securities held in custody by banks for customers, which continues to offset the recovery in deposits. In particular, the declining trend in debt securities held in custody for consumer households intensified sharply, after the rapid slowdown in growth observed during 2012. In absolute terms, during the initial months of 2013, debt securities held in custody by banks for consumer households continued to decline significantly on a monthly basis, increasing the decline already recorded throughout 2012.
With regard to assets under management, the Italian market for open-ended mutual funds started off 2013 with a positive inflow balance during the first quarter, continuing the improvement recorded during the second half of 2012. The mutual funds market benefited from extremely positive net inflows to bond funds and flexible funds, as well as a positive balance for balanced funds, following the sharp outflows recorded throughout 2012. Italian funds also achieved a positive net balance in subscriptions during the first quarter, added to the overall positive balance of deposits in foreign funds. The total stock managed by the open-ended mutual funds industry amounts to 504 billion euro at the end of March, up nearly 22 billion euro from the end of 2012.
In the insurance segment, the first three months of 2013 recorded a significant recovery in new business in the life insurance segment compared to 2012, approaching the 2011 levels. The life insurance market still benefited from good performance of policies with a higher "linked" financial component and from the recovery in sales of traditional class I policies.

Intesa Sanpaolo in the first three months of 2013

Consolidated results

Results of the Intesa Sanpaolo Group for the first quarter of 2013 were positive, although down compared to the same period of the previous year. The first three months of the year, in fact, closed with a net income of 306 million euro, compared to 804 million euro in the first quarter of 2012. Operating income was down. The positive trend in net fee and commission income was not sufficient to offset the declines in the interest margin and profits on trading, which during the first quarter of 2012 included non-recurring income linked to the repurchase of own securities. The operating margin was down as well, although it benefitted from the effects of the structural cost containment measures. Income before tax from continuing operations was further penalised by the greater need for adjustments, particularly following the worsening credit quality resulting from deterioration of the real economy.

A detailed breakdown of operating income items shows that the income statement for the first quarter recorded net interest income of 2,022 million euro, down 19.2% compared to the first three months of 2012, mainly due to the lower contribution of operations with customers, which was particularly impacted by the difficult market scenario.
The services segment generated net fee and commission income of 1,466 million euro, up 11.3% due to the positive contribution of all components: retail banking activities (+10.9%), financial instrument dealing and management (+11.1%) and other commission income (+12.7%).
Profits on trading amounted to 455 million euro, compared to 716 million in the first quarter of 2012, which however benefited from the effects of the Parent Company's buyback of subordinated Tier 1 notes (274 million euro, 183 million euro net of the tax effect).
Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, amounted to 231 million euro from 258 million euro for the first three months of the previous year, due to the lower net investment result.
As a result of the above trends, operating income for the first quarter of 2013 amounted to 4,119 million euro, down 14.4%.
Operating costs, which are continually monitored and subject to measures to ensure their structural containment, showed a decrease (-5% to 2,096 million euro) attributable to both personnel expenses (-6.6%) and administrative expenses (-4.5%), whereas amortisation and depreciation showed moderate growth (+6.4%).
The operating margin came to 2,023 million euro, down 22.4% on the first three months of 2012.
Adjustments and provisions for risks, as a whole, were up around 18%, due to greater net adjustments to loans (1,166 million euro, approximately +20%), attributable to the general deterioration in credit quality as a result of the worsening economic situation.
Income before tax from continuing operations came to 768 million euro, down by 49.8% on the first three months of the previous year.
After recognition of income tax for the period of 364 million euro, charges for integration and exit incentive of 12 million euro and the effects of purchase price allocation of 74 million euro, as well as minority interests of 12 million euro, the Group's income statement for the first quarter closed, as already noted, with a net income of 306 million euro, compared to 804 million euro for the first three months of 2012.

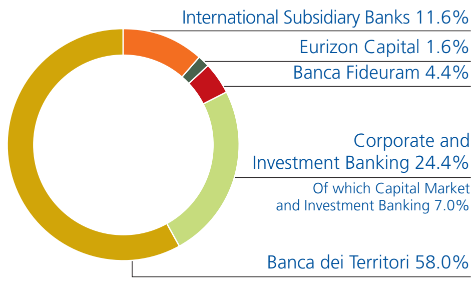
Compared with the previous quarter, net income for the first three months of 2013 compares with a loss of 83 million euro for the fourth quarter of 2012. More specifically, the decline in operating income (-8.3%) was partly offset at the operating margin level (-7.9%) by good performance in terms of operating costs (-8.8%). Income before tax from continuing operations was higher than the previous quarter (768 million euro compared to 386 million euro), due to the lower impact of provisions and adjustments, specifically adjustments to loans.

The performance of the balance sheet aggregates confirms the Group's sound financial position.
Loans to customers totalled around 372 billion euro (-1.3% over the end of 2012). The decline in commercial banking loans (current accounts, mortgages, advances and loans, down -2% overall), and in loans represented by securities (-3.1%) was countered by growth in short-term financial loans (+8.3%). Performance of the various types of loans to customers was also impacted by the increase in non-performing loans, within which, however, past due loans declined, following the increase recorded during the previous year following the reduction by the Bank of Italy of the period for their classification under non-performing loans from over 180 to over 90 days, effective from 2012.
With regard to funding, direct deposits from banking business amounted to 379 billion euro, essentially stable (-0.3%) compared to the end of 2012. Performance of the aggregate is mainly attributable to the reduction in repurchase agreements (approximately -37%). The demand component, consisting of current accounts and deposits, was in fact significantly up (+4.4%) and only partly offset by the decline in bonds (-2%), subordinated liabilities (-2.2%), certificates of deposit (-1.2%) and other deposits (-8.3%).
Direct deposits from insurance business, which include technical reserves, increased (+2.5% to approximately 84 billion euro).
The overall increase was attributable to both the higher value of financial liabilities of the insurance business designated at fair value, particularly unit-linked products, and the increase in technical reserves, which represent the amount owed to customers who have taken out traditional policies.
The new business for the quarter of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to approximately 4.6 billion euro.
Indirect deposits were essentially unchanged compared to the end of the previous year (-0.2% to 413 billion euro), although they highlighted a repositioning of customers towards asset management products. With a decline in assets under administration (-4.7% to 174 billion euro), assets under management grew by 3.5% to 239 billion euro, due to the appreciation in value of assets in the portfolio as well as the positive performance of net inflows.

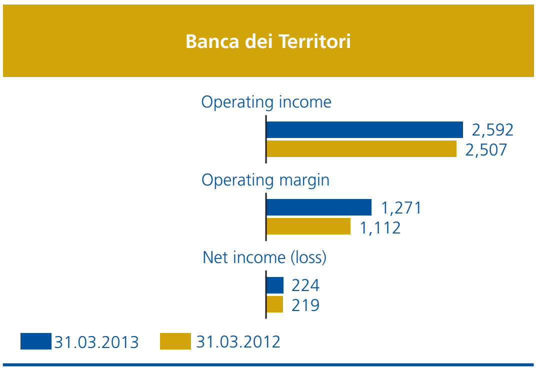
Results of the business units

The breakdown of the contribution to operating income in the first quarter of 2013 for the Group's five business units shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 58% of operating income), although there was also a significant contribution from corporate and investment banking activities (approximately 24%) and international retail banking activities (about 12%).

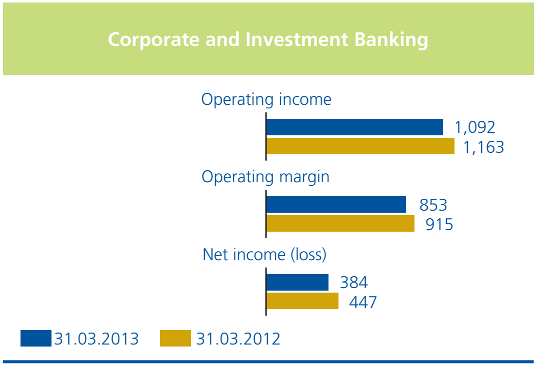
Operating income:
Breakdown by business area [1]



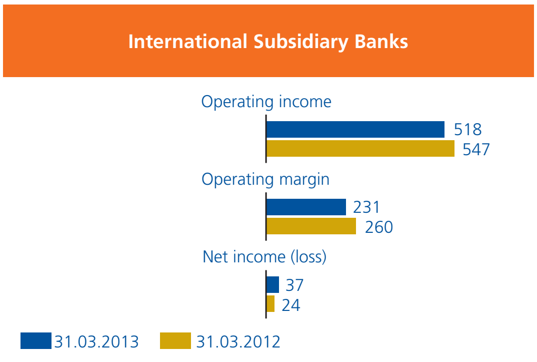
[1] Excluding Corporate Centre



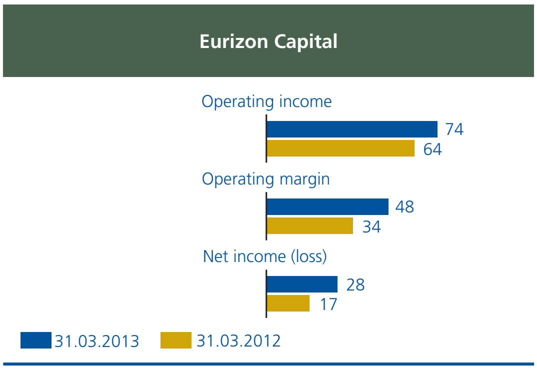
In the first quarter of 2013, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 2,592 million euro (+3.4% compared to the first quarter of 2012). More specifically, the decrease in net interest income (-4.7%), the decline in profits on trading (-33.3%) and the essential stability in income from insurance business (-0.9%) were more than offset by the higher contribution of net fee and commission income (+21.1%). These trends, together with the effects of the structural operating cost containment measures (-5.3%) enabled significant progress in the operating margin (+14.3% to 1,271 million euro). On the contrary, income before tax from continuing operations decreased (-5.7% to 493 million euro), penalised by higher adjustments to loans (+32.1%). Net income, which includes for taxes of 217 million euro, economic effects of purchase price allocation of 43 million euro and charges for integration and exit incentives of 9 million euro, came to 224 million euro (+2.3%).
The balance sheet figures at the end of March 2013 showed loans to customers slightly down compared to the end of 2012 (-1% to 180,231 million euro), mainly as a result of the decrease in loans to business and small business customers as a result of the economic situation. Direct deposits from banking business, amounting to 201,499 million euro, were essentially unchanged: in fact, the increase in amounts due to customers fully offset the decrease in securities issued. Direct deposits from insurance business, amounting to 68,119 million euro, increased slightly (+0.8%), primarily due to technical reserves.



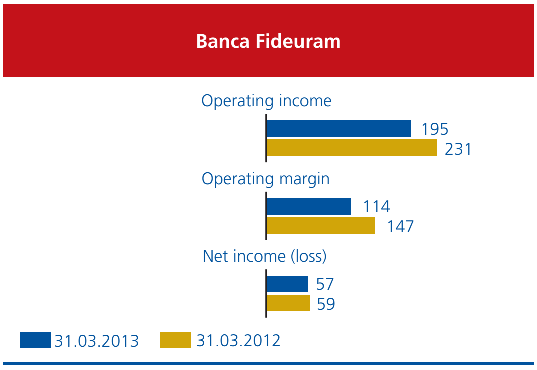
The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income of 1,092 million euro during the first quarter (-6.1% compared to the first three months of 2012). Higher performance by profits on trading (+12.1%) was not sufficient to offset the downward trend of net interest income (-2.7%), the lower contribution from net fee and commission income (-3.3%) and the negative performance of companies carried at equity (equal to -67 million euro overall). The reduction in operating costs (-3.6%) is mainly due to lower personnel expenses. In relation to the performance outlined above, the operating margin was down (-6.8% to 853 million), as was income before tax from continuing operations (-14.8%), impacted by the higher adjustments to loans due to credit risk. Lastly, net income came to 384 million euro, down 14.1% on the first three months of 2012.
With regard to balance sheet aggregates, direct deposits from banking business showed an increase (+5% to 115,144 million euro), mainly due to specific commercial operations aimed at increasing corporate deposits by leading financial institutions and large corporate groups, as well as the repurchase agreements of Banca IMI. Conversely, loans to customers showed a slight decrease (-1.5% to 141,008 million euro), due to lesser use of cash, only partly offset by repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.



During the first quarter of 2013, the operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – was down 5.3% to 518 million euro, mainly due to the decrease in net interest income (-7%), which was not offset by the slight increase in net fee and commission income (+1.6%) or by the higher performance of profits on trading (+28.6%). Operating costs remained stable. Due to the trends in revenues and costs described above, the operating margin decreased (-11.2% to 231 million euro), while the income before tax from continuing operations increased (+56.3%), mainly due to lower adjustments to loans. The Division closed the first quarter with a net income of 37 million euro, up compared to 24 million euro reported in the same period of the previous year (+54.2%).
The Division's intermediated volumes decreased compared to the end of December 2012 (-1.6%) owing to the decrease in loans to customers (-1.5%) as well as amounts due to customers under direct deposits from banking business (-1.6%).



The operating income for Eurizon Capital – which operates in the asset management segment – increased during the quarter (+15.6% to 74 million euro) compared to the same period in 2012, benefitting from favourable performance of net fee and commission income (+15%). Operating costs fell (-13.3%) thanks to cost containment measures. The operating margin came to 48 million euro, up 41.2%. Eurizon Capital closed the first quarter of 2013 with a net income of 28 million euro (+64.7%). Overall, total assets managed by Eurizon Capital as at the end of March 2013 came to approximately 150 billion euro (+2.8%), as a result of net inflows (for 3.3 billion euro) and positive financial market performance. Eurizon Capital's share of assets under management was 14.4% as at 31 March 2013, stable compared to the beginning of the year.



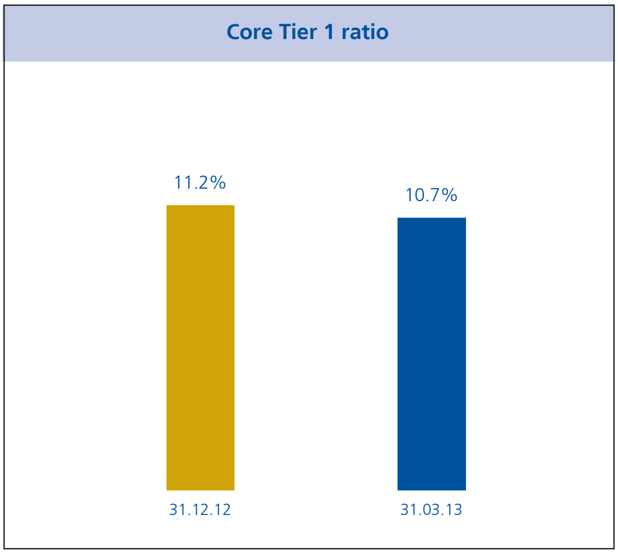
Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – reported an operating margin for the first quarter of 114 million euro, down compared to the same period of the previous year (-22.4%), due to the declining trend in operating income (-15.6%), despite lower operating costs (-3.6%). The performance of revenues is essentially attributable to the decrease in income from insurance business. Among the other income components, there were decreases in the interest margin (-31.7%) and in profits (losses) on trading (-54.5%), while net fee and commission income increased (+4.3%). Conversely, there was a decrease in provisions for risks and charges (-40.7%). Income before tax from continuing operations declined (-13.6% to 95 million euro). After recognition of taxes for 16 million euro and of purchase price allocation effects for 22 million euro, the income statement closed with a net income of 57 million euro (-3.4%). Assets under management and assets under administration of the Banca Fideuram Group at the end of March 2013 amounted to 81 billion euro (of which 62 billion euro in assets under management and 19 billion euro in assets under administration), up 2.3% since the beginning of the year.

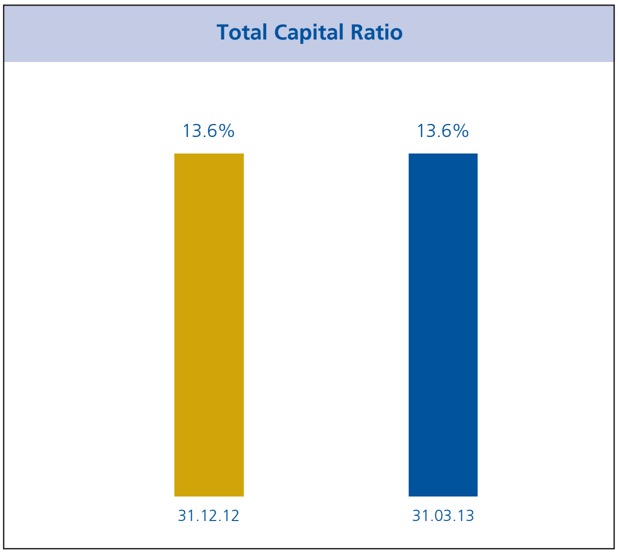
Main risks and uncertainties

The ongoing negative macroeconomic scenario and the trend in financial markets continue to require constant oversight of the factors that enable the Bank to pursue sustainable profitability in the medium and long term: high liquidity, funding capability, low leverage and adequate capital base.
Liquidity remains high: as at 31 March 2013, the liquidity reserves eligible with the various Central Banks came to 120 billion euro, of which 84 billion euro was available spot (net of the haircut) and remained unused, up significantly compared to 67 billion euro at the end of 2012. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised in international markets through short-term paper) remained stable at 36 billion euro and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

With regard to funding, the quarter was characterised by an essential stability in direct customer deposits. The widespread branch network continued to be a stable and reliable source of funding: 79% of direct deposits from banking business come from retail operations (300 billion euro). Furthermore, some 4.25 billion euro in bonds were placed on the international markets during the quarter, in addition to 1 billion euro in covered bonds.
The internal short-term liquidity indicator, which measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows respect to expected and potential cash outflows, has values that are significantly greater than one. Even the medium to long-term financial equilibrium, monitored via a structural liquidity indicator, showed a widely positive surplus at the end of March.
The minimum liquidity ratios envisaged by Basel 3 were already met at the end of March 2013 as well: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceed 100%.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors', while the ratio of risk-weighted assets to total assets is among the highest, given the prevalence of retail banking activities within the Group.

Also the capital base remains high: the Total Capital Ratio is 13.6%, Tier 1 is 11.6% and Core Tier 1 is 10.7%.





With regard to the insurance segment, as at 31 March 2013 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 3,349 million euro, up from 3,280 million euro as at 31 December 2012, in relation to the profit achieved by the company in the first quarter of 2013. The capital absorption level was 2,060 million euro, up compared to 2,016 as at 31 December 2012. The margin exceeded by 1,289 million euro the level required by supervisory rules. The solvency ratio as at 31 March 2013 was 163%, in line with the figure as at 31 December 2012.

The Group's risk profile remained at relatively low levels, consistent with the Group's intention to continue to privilege commercial banking operations. The trend in the Group's operational VaR, shown in the chart and mainly determined by Banca IMI, highlights – despite the effects of events impacting the spreads on Italian government bonds - a reduction in the average figure compared to the previous quarter (73.2 million euro compared to 82.5 million euro).

The difficult macroeconomic environment and high volatility of the financial markets make the assessment of credit risk and measurement of financial assets highly complex.

Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and exposures subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in the loan granting and monitoring process.
The methods used for the classification of non-performing loans and for the measurement of those loans and performing loans ensure that the impacts of negative developments in the economic situation are promptly accounted for. As the crisis has deepened and expanded at an alarmingly fast pace, it has become necessary to constantly review the value of both the loans

already showing signs of distress and those that have not yet shown evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average provisioning percentages for doubtful loans (over 60%) and substandard loans (over 21%). With regard to performing loans, the "collective" adjustments provide a coverage ratio of 0.8%, in line with the coverage in the 2012 financial statements. The lump-sum provisions on performing loans, amounting to 2,524 million euro, fully cover the expected loss calculated by means of internal models.
Considerable attention was paid to the valuation of financial items. The majority of financial assets (about 90%) are classified as held for trading and in the fair value option, under assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 66% using the effective market quotes method (level 1), 32% using the comparable approach (level 2) and only 2% using the mark-to-model approach (level 3). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (94%) were measured using the comparable approach (level 2).
As at 31 March, the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 105 billion euro (of which 34 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 25 billion euro, essentially in line with the corresponding figures as at 31 December 2012 (approximately 104 billion euro in securities exposure and 26 billion euro in loans).
The exposure to the Italian government securities is 90 billion euro, with the Bank's exposure concentrated in the short-term segment (43 billion euro up to 2 years), with a duration of 1.8 years. The duration of the insurance portfolio is longer, at 5.8 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remain low. The trends in fair value of these products during the quarter have generated a positive impact of 26 million euro for the former (plus 2 million euro in profits from disposals) and 19 million euro for the latter.

In complex markets such as the current circumstances, verifying the recoverable amount of intangible assets is particularly difficult. In terms of intangible assets with indefinite useful life, consisting of the goodwill and the brand name, booked under balance sheet assets at a total value of 11,067 million euro (of which 8,683 million euro referring to goodwill), no indicators that could impact the positive results achieved in the 2012 financial statements with respect to the solidity of the values recorded among assets were identified during the quarter, despite the continued highly unstable macroeconomic scenario. The macroeconomic scenario, still difficult, calls for continuous monitoring of the main parameters used in impairment tests for the remainder of 2013, whose values are significantly impacted by said scenario.
The other intangible assets recorded under assets in the balance sheet for a total value of 2,718 million, comprising the asset management and insurance portfolios, as well as the core deposits, all with finite useful life, were amortised (approximately 105 million euro after tax). Qualitative analyses on the trends in amounts, product profitability and discounting rates were also carried out for these assets, in order to identify any impairment indicators. These analyses did not identify any critical aspects with respect to the situation at the end of 2012.

Lastly, with regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the interim statement as at 31 March 2013 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

Forecast for the whole 2013

The economic recession in Italy is expected to continue for most of 2013, while for the overall Eurozone, it may end as early as during the second half of the year. The global economic growth is expected to continue for the rest of the year. Despite the progress already achieved and the more constructive attitude of international investors, there may still be a need for preventive mobilisation of European funding support to compensate for insufficient private capital flows to one or more countries of the European periphery. A further adjustment in official interest rates, already cut by 25 basis points in May, may also be necessary; excess liquidity will push down money market rates.
Given the performance of the cyclical indicators during the first quarter of the year, the International Monetary Fund recently made a downward revision to its forecasts for the overall emerging areas, expected however to recover to 5.3% in 2013.
Italian banking sector business will be sharply impacted by weakness in the Italian macroeconomic scenario and by the consequences of the sovereign debt crisis. The desired gradual easing of bank funding and in rates on loans, consistent with the accommodative monetary policy conditions and the decline in money rates, will remain subject to the performance of spreads on government bonds. Furthermore, high credit risk will continue to weigh on the normalisation of bank loan rates. Continuation of the economic recession is expected for a good part of 2013, negatively impacting loan quality and the trend in loans to customers, with possible signs of a recovery only expected towards year-end. In terms of funding, growth in household deposits is expected to continue, along with securities issues on the institutional market during the more favourable market periods.

In 2013, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Attention will be strongly focused both on profitability targets and on actions aimed at strengthening the capital base and further improving the profile of risk and liquidity.
Furthermore, the Group's efficiency and productivity will be constantly addressed. Repricing actions that began in 2011 and continued into 2012 will make it possible to partially limit the impact of an expected negative environment on market rates. Strict cost containment actions will counteract the effects of automatic pay increases and inflation. The cost of credit will remain at a high level.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets	31.03.2013	31.12.2012	Changes amount	Changes %
Financial assets held for trading	61,556	63,546	-1,990	-3.1
of which: Insurance Companies	*953*	*1,125*	*-172*	*-15.3*
Financial assets designated at fair value through profit and loss	36,747	36,887	-140	-0.4
of which: Insurance Companies	*35,722*	*35,748*	*-26*	*-0.1*
Financial assets available for sale	97,030	97,209	-179	-0.2
of which: Insurance Companies	*42,454*	*43,527*	*-1,073*	*-2.5*
Investments held to maturity	2,150	2,148	2	0.1
Due from banks	38,569	36,533	2,036	5.6
Loans to customers	371,561	376,625	-5,064	-1.3
Investments in associates and companies subject to joint control	2,716	2,706	10	0.4
Property, equipment and intangible assets	20,052	20,249	-197	-1.0
Tax assets	12,661	12,673	-12	-0.1
Non-current assets held for sale and discontinued operations	25	25	-	-
Other assets	24,040	24,981	-941	-3.8
Total Assets	**667,107**	**673,582**	**-6,475**	**-1.0**

Liabilities and Shareholders' Equity	31.03.2013	31.12.2012	Changes amount	Changes %
Due to banks	72,775	73,352	-577	-0.8
Due to customers and securities issued	375,956	377,358	-1,402	-0.4
of which: Insurance Companies	*132*	*68*	*64*	*94.1*
Financial liabilities held for trading	49,736	52,195	-2,459	-4.7
of which: Insurance Companies	*93*	*79*	*14*	*17.7*
Financial liabilities designated at fair value through profit and loss	28,130	27,047	1,083	4.0
of which: Insurance Companies	*28,120*	*27,038*	*1,082*	*4.0*
Tax liabilities	3,979	3,494	485	13.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	26,207	30,617	-4,410	-14.4
Technical reserves	55,552	54,660	892	1.6
Allowances for specific purpose	4,825	4,953	-128	-2.6
Share capital	8,546	8,546	-	-
Reserves	42,419	40,861	1,558	3.8
Valuation reserves	-1,894	-1,692	202	11.9
Minority interests	570	586	-16	-2.7
Net income (loss)	306	1,605	-1,299	-80.9
Total Liabilities and Shareholders' Equity	**667,107**	**673,582**	**-6,475**	**-1.0**

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

Quarterly development of the consolidated balance sheet

(millions of euro)

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

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

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

Consolidated income statement

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Net interest income	2,022	2,501	-479	-19.2
Dividends and profits (losses) on investments carried at equity	-43	26	-69	
Net fee and commission income	1,466	1,317	149	11.3
Profits (Losses) on trading	455	716	-261	-36.5
Income from insurance business	231	258	-27	-10.5
Other operating income (expenses)	-12	-5	7	
Operating income	**4,119**	**4,813**	**-694**	**-14.4**
Personnel expenses	-1,266	-1,356	-90	-6.6
Other administrative expenses	-663	-694	-31	-4.5
Adjustments to property, equipment and intangible assets	-167	-157	10	6.4
Operating costs	**-2,096**	**-2,207**	**-111**	**-5.0**
Operating margin	**2,023**	**2,606**	**-583**	**-22.4**
Net provisions for risks and charges	-26	-37	-11	-29.7
Net adjustments to loans	-1,166	-973	193	19.8
Net impairment losses on other assets	-68	-59	9	15.3
Profits (Losses) on investments held to maturity and on other investments	5	-6	11	
Income (Loss) before tax from continuing operations	**768**	**1,531**	**-763**	**-49.8**
Taxes on income from continuing operations	-364	-626	-262	-41.9
Charges (net of tax) for integration and exit incentives	-12	-14	-2	-14.3
Effect of purchase price allocation (net of tax)	-74	-73	1	1.4
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-12	-14	-2	-14.3
Net income (loss)	**306**	**804**	**-498**	**-61.9**
Basic EPS - euro	**0.02**	**0.05**		
Diluted EPS - euro	**0.02**	**0.05**		

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

Quarterly development of the consolidated income statement

(millions of euro)

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

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

REPORT ON OPERATIONS

Economic results

The scenario for the first quarter of 2013 was characterised by an easing in the Eurozone financial crisis, but a persistent recession in the economy and consumption in Italy, though the pace of the decline in economic activity had slowed compared to the end of 2012. The income achieved by the Intesa Sanpaolo Group in the first quarter was one of strong progress compared to the 83 million euro loss for the final quarter of 2012, which had even included significant capital gains from the trading of own subordinated notes with a new senior note and reclassification of a number of derivative contracts used to hedge core deposits. Comparison with the first quarter of the previous year instead shows the effects of the crisis which, on the one hand, reflect a drop in operating income, especially due to the negative trend for the interest margin and in trading, and on the other hand, an increase in adjustments to loans and to other assets. These phenomena resulted in a decrease of over 20% in the operating margin, despite the positive development in fee and commission income and strict operating cost containment, and the achievement of net income of 306 million euro, significantly lower than the 804 million euro recorded in the same period of the previous year, which had however benefited from net capital gains of 183 million euro from the repurchase of own subordinated loans.

Operating income

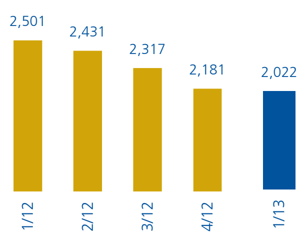
The Group reported operating income of 4,119 million euro, down 14.4% on the figure for the first three months of 2012 and 8.3% compared to the fourth quarter of 2012.
The trend emerging from comparison was mainly determined by the decrease in net interest income and the result from trading, only partly mitigated by the increase in fee and commission income.

Net interest income

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Relations with customers	2,395	2,997	-602	-20.1
Securities issued	-1,366	-1,415	-49	-3.5
Differentials on hedging derivatives	411	333	78	23.4
Customer dealing	**1,440**	**1,915**	**-475**	**-24.8**
Financial assets held for trading	93	139	-46	-33.1
Investments held to maturity	20	24	-4	-16.7
Financial assets available for sale	295	278	17	6.1
Financial assets	**408**	**441**	**-33**	**-7.5**
Relations with banks	**-74**	**-71**	**3**	**4.2**
Non-performing assets	**260**	**230**	**30**	**13.0**
Other net interest income	**-12**	**-14**	**-2**	**-14.3**
Net interest income	**2,022**	**2,501**	**-479**	**-19.2**

Quarterly development Net interest income



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

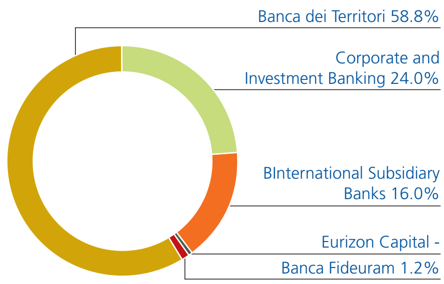
In the first quarter of 2013, net interest income of 2,022 million euro was recorded, down 19.2% compared to the same period in 2012: the improvement in pricing management for loans was not sufficient to offset the drop in average volumes of performing loans and the narrowing of the spread in customer dealing.
On the interbank market, the rates decreased in 2012 and remained steady, at very low levels, in the first three months of this year.
In this context, net interest from operations with customers amounted to 1,440 million euro, down 24.8% on the same period of the previous year, mainly due to the decrease in volumes and to the reduction in margins on demand deposits, despite the higher differentials on hedging derivatives and lower interest paid on securities issued.
Interest on financial assets also fell by 7.5% compared to the first quarter of 2012, due to the decrease in financial assets held for trading (-46 million euro), only partly offset by the stronger contribution of financial assets available for sale (+17 million euro).
Net interest on the interbank market reported a negative balance of 74 million euro, changing little compared to the negative balance of 71 million euro for the first three months of the previous year. This negative margin is affected by the 36 billion euro exposure to the ECB existing since the end of 2011.
Compared to the fourth quarter of 2012, the interest margin recorded a 7.3% decrease, due also in this case to reduced assets under administration and the lower contribution from hedging differentials. The decrease was also affected by the higher cost of holding liquidity.

(millions of euro)

	31.03.2013	31.03.2012	Changes amount	Changes %
Banca dei Territori	1,412	1,482	-70	-4.7
Corporate and Investment Banking	577	593	-16	-2.7
International Subsidiary Banks	383	412	-29	-7.0
Eurizon Capital	-	-	-	-
Banca Fideuram	28	41	-13	-31.7
Total business areas	**2,400**	**2,528**	**-128**	**-5.1**
Corporate Centre	-378	-27	351	
Intesa Sanpaolo Group	**2,022**	**2,501**	**-479**	**-19.2**

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

Business areas



With regard to business areas, all Business Units recorded a declining trend in the interest margin. In detail, Banca dei Territori, which accounts for 59% of business area results, recorded a 4.7% decline in net interest income, mainly due to the lower margins on deposits compared to greater contribution from loans to customers. Corporate and Investment Banking also recorded a decrease (-2.7%), essentially reflecting the decrease in the net investment result observed on the capital markets segment of Banca IMI in relation to a fall in volumes and a lower return on the AFS and HFT securities portfolio. Net interest income of the International Subsidiary Banks fell by 7%, mainly due to erosion of the margins on deposits. Banca Fideuram also recorded a decrease (-31.7%) as a result of interest rates at all-time lows and the lesser flexibility of the cost of funding.

Dividends and profits on investments carried at equity

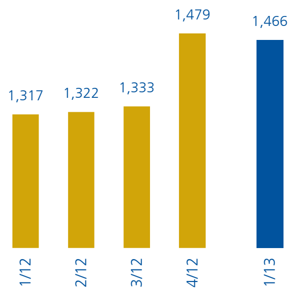
In the first quarter of 2013, share dividends and profits on investments carried at equity recorded a loss of 43 million euro, attributable to the negative measurement result of certain associates consolidated using the equity method and mostly operating in the real estate and hotels segment. The item showed a decrease compared to the 26 million euro in profits reported in the same period of the previous year. The dividends relate only to companies not consolidated line-by-line, which during the quarter made no contribution whatsoever. Dividends on shares held for trading and securities available for sale, on the other hand, were reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	31.03.2013	31.03.2012	Changes amount	Changes %
Guarantees given / received	88	85	3	3.5
Collection and payment services	70	75	-5	-6.7
Current accounts	280	227	53	23.3
Credit and debit cards	111	108	3	2.8
Commercial banking activities	**549**	**495**	**54**	**10.9**
Dealing and placement of securities	137	140	-3	-2.1
Currency dealing	10	14	-4	-28.6
Portfolio management	301	276	25	9.1
Distribution of insurance products	184	141	43	30.5
Other	36	30	6	20.0
Management, dealing and consultancy activities	**668**	**601**	**67**	**11.1**
Other net fee and commission income	**249**	**221**	**28**	**12.7**
Net fee and commission income	**1,466**	**1,317**	**149**	**11.3**

Quarterly development
Net fee and commission income



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

Net fee and commission income for the quarter, which makes up over one-third of operating income, came to 1,466 million euro, up 11.3% compared to the same period in 2012.
Fees and commissions on commercial banking activities were up considerably (+10.9%). The positive performance of fees and commissions on current accounts (+23.3%) can be attributed to the introduction of fees and commissions on account credit facilities from the second quarter of 2012. Fee and commission income on guarantees given also increased (+3.5%) and on debit and credit cards (+2.8%), whilst a decrease was seen in the fee and commission income on collection and payment services (-6.7%).
Overall, management, dealing and consultancy activities generated net fee and commission income of 668 million euro, up 67 million euro (+11.1%) compared to the first quarter of 2012. Contributing to this trends were the distribution of insurance products (+43 million euro), portfolio management (+25 million euro), particularly on collective and individual ones, and other management and dealing commissions (+6 million euro), which more than offset the decline in fee and commission income on securities dealing and placement and in currency dealing.
Other net fee and commission income recorded an increase of 28 million euro compared to the figures for the first three months of the previous year, amounting to 249 million euro. The increase is attributable to the main component, represented by other commissions on loans issued to businesses.

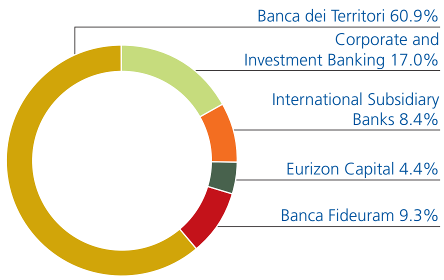
Compared to the fourth quarter of 2012, net fee and commission income for the first quarter of 2013 was essentially stable (-0.9%, equal to 13 million euro). The marginal change is due to the fall in fees and commissions on management, dealing and consultancy activities (-26 million euro), particularly those relating to portfolio management (which in the fourth quarter of 2012 recorded around 75 million euro in performance commissions), only partly offset by the increase in other net fee and commission income (+11 million euro). Fees and commissions on commercial banking activities remained essentially stable (+0.4%) due to the stronger contribution from guarantees given which more than offset the drop in fee and commission income on collection and payment services, current accounts and credit and debit cards. If the performance commissions from portfolio management were excluded from the figures for the fourth quarter of 2012, the net fee and commission income for the first quarter of 2013 would show a 4.4% increase compared to the previous quarter.

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Banca dei Territori	947	782	165	21.1
Corporate and Investment Banking	264	273	-9	-3.3
International Subsidiary Banks	131	129	2	1.6
Eurizon Capital	69	60	9	15.0
Banca Fideuram	144	138	6	4.3
Total business areas	**1,555**	**1,382**	**173**	**12.5**
Corporate Centre	-89	-65	24	36.9
Intesa Sanpaolo Group	**1,466**	**1,317**	**149**	**11.3**

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

Business areas



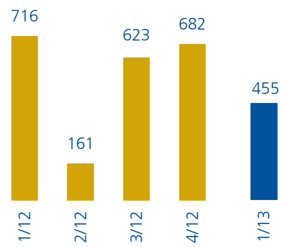
By business sector, all business units, except Corporate and Investment Banking, experienced growth. Banca dei Territori, which represents 61% of fee and commission income from the business units, recorded the most significant positive contribution (+21.1%). In particular, increases were seen in the net fee and commission income on asset management and bancassurance products, on current accounts (fee and commission income on credit facilities) and on placements. Though more limited in absolute terms, also the following have recorded an increase: Eurizon Capital (+15%), which benefited mainly from the performance of assets under management and from the improved product mix, which yielded significant inflows to higher-margin products; Banca Fideuram (+4.3%), mainly as a result of the increase in recurring fee and commission income from growth in the average assets under management; and the International Subsidiary Banks (+1.6%), attributable to the asset management and current account segments. Conversely, a negative change in net fee and commission income was recorded by Corporate and Investment Banking (-3.3%), deriving from investment banking activities, only partly offset by the commercial banking services offered to customers, particularly loans and guarantees.

Profits (Losses) on trading

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Interest rates	75	306	-231	-75.5
Equity instruments	108	38	70	
Currencies	13	54	-41	-75.9
Structured credit products	30	20	10	50.0
Credit derivatives	-4	-74	-70	-94.6
Commodity derivatives	4	17	-13	-76.5
Trading result	**226**	**361**	**-135**	**-37.4**
Trading on AFS securities and financial liabilities	**229**	**355**	**-126**	**-35.5**
Profits (Losses) on trading	**455**	**716**	**-261**	**-36.5**

Quarterly development Profits (losses) on trading



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

Trading activities yielded a profit of 455 million euro in the first quarter of 2013, compared to the 716 million euro recorded in the same period of the previous year which had, however, benefited from extraordinary amounts associated with the repurchase of own securities (274 million euro). Excluding these non-recurring revenues, the trading result would have shown a slight increase compared to the first quarter of 2012.
The negative trend is attributable to the trading result (-135 million euro) and to the drop in trading on AFS securities and financial liabilities (-126 million euro), which last year had included the previously mentioned capital gain. The trading result was affected by the decline in interest rate transactions (-231 million euro) and credit derivative transactions (-70 million euro), which should be considered jointly, as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. Currencies also recorded a decrease (-41 million euro) as did commodity derivatives (-13 million euro), whilst a positive contribution was made, albeit not sufficient to offset the decline in other items, by equity instruments (+70 million euro) and structured credit products (+10 million euro).
It should be noted that the subcaption “Trading on AFS securities and financial liabilities” incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness, in accordance with the fair value option.
Compared to the fourth quarter of 2012, the trading result was lower by 33.3%, penalised by the fact that the capital gain from

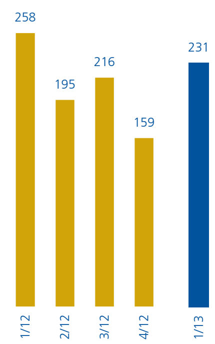
the repurchase of own securities (110 million euro) and the revenue associated with the previously mentioned remodelling of core deposits (342 million euro) were no longer present.

Income from insurance business

(millions of euro)

Captions (a)	**31.03.2013**			**31.03.2012**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**22**	**11**	**33**	**-8**	**6**	**-2**	**35**	
Net insurance premiums (b)	2,391	49	2,440	1,088	37	1,125	1,315	
Net charges for insurance claims and surrenders (c)	-1,587	-20	-1,607	-1,739	-16	-1,755	-148	-8.4
Net charges for changes in technical reserves (d)	-1,204	-	-1,204	-62	-	-62	1,142	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	505	-	505	735	-	735	-230	-31.3
Net fees on investment contracts (f)	34	-	34	33	-	33	1	3.0
Commission expenses on insurance contracts (g)	-94	-15	-109	-57	-14	-71	38	53.5
Other technical income and expense (h)	-23	-3	-26	-6	-1	-7	19	
Net investment result	**194**	**4**	**198**	**255**	**5**	**260**	**-62**	**-23.8**
Operating income from investments	1,197	4	1,201	2,152	5	2,157	-956	-44.3
Net interest income	*548*	*4*	*552*	*560*	*3*	*563*	*-11*	*-2.0*
Dividends	*15*	-	*15*	*13*	-	*13*	*2*	*15.4*
Gains/losses on disposal	*496*	-	*496*	*307*	*1*	*308*	*188*	*61.0*
Valuation gains/losses	*154*	-	*154*	*1,473*	*1*	*1,474*	*-1,320*	*-89.6*
Portfolio management fees paid (i)	*-42*	-	*-42*	*-42*	-	*-42*	-	-
Profit/loss pertaining to third party underwriters of mutual funds (j)	*26*	-	*26*	*-159*	-	*-159*	*185*	
Gains (losses) on investments pertaining to insured parties	-1,003	-	-1,003	-1,897	-	-1,897	-894	-47.1
Insurance products (k)	*-449*	-	*-449*	*-661*	-	*-661*	*-212*	*-32.1*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-56*	-	*-56*	*-74*	-	*-74*	*-18*	*-24.3*
Investment products (m)	*-498*	-	*-498*	*-1,162*	-	*-1,162*	*-664*	*-57.1*
Income from insurance business	**216**	**15**	**231**	**247**	**11**	**258**	**-27**	**-10.5**

Quarterly development
Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the first quarter of 2013, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 231 million euro, down 10.5% on the same period of the previous year. The downward trend in this sector is essentially attributable to the valuation component of the portfolios: against the recovery in government bond prices in the first quarter of the previous year, the financial markets have remained fairly stable in the first part of this year, leading to lower capital gains, in part charged back to the insured parties according to the shadow accounting principle. The impact of purchase fees has also increased as a result of the higher production during the quarter.
The life insurance segment showed a growth in the technical margin due to the combined effect, on the one hand, of the expansion of net premiums, which more than doubled compared to the same period in 2012, the decrease in charges for insurance claims and surrenders and the lower income from investments pertaining to the insured parties, and on the other hand from the increase in charges for the change in technical insurance reserves and commission expenses. The net investment result for the life insurance segment decreased, mainly due to the lower valuation gains which, as already reported, were influenced by the more stable performance of the financial markets. The first quarter of 2013 saw higher realised gains originating from a more intense trading activity by the insurance companies. The decline in the result pertaining to insured parties is a consequence of the reduction in valuation gains.

Income from non-life business – the extent of which is still marginal in the Group's insurance business – increased by 4 million euro, mainly due to the increase in net insurance premiums which more than absorbed the increase in charges for insurance claims and surrenders.
Income from insurance business in the first quarter of 2013, including the life and non-life segments, was 72 million euro higher than that of the final quarter of the previous year (159 million euro) as a result of the financial component.

(millions of euro)

	31.03.2013				31.03.2012
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**66**	**2,325**	**2,391**	*2,325*	**1,088**
Premiums issued on traditional products	54	2,282	2,336	*2,282*	1,015
Premiums issued on unit-linked products	5	9	14	*9*	18
Premiums issued on capitalisation products	-	-	-	-	-
Premiums issued on pension funds	7	34	41	*34*	55
Non-life insurance business	**13**	**38**	**51**	*15*	**38**
Premiums issued	12	53	65	*47*	49
Change in premium reserves	1	-15	-14	*-32*	-11
Premiums ceded to reinsurers	**-1**	**-1**	**-2**	-	**-1**
Net premiums from insurance products	**78**	**2,362**	**2,440**	***2,340***	**1,125**
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	41	2,269	2,310	*2,263*	1,537
Total business from investment contracts	**41**	**2,269**	**2,310**	***2,263***	**1,537**
Total business	**119**	**4,631**	**4,750**	***4,603***	**2,662**

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

Business in the insurance segment reached a total of 4,750 million euro in premiums, compared to total inflows of 2,662 million in the first quarter of the previous year. The increase is largely due to premiums issued against traditional life policies and, to a lesser extent, to new unit-linked contract business.
New business totalled 4,603 million euro with a balance between traditional and unit-linked products.

Other operating income (expenses)

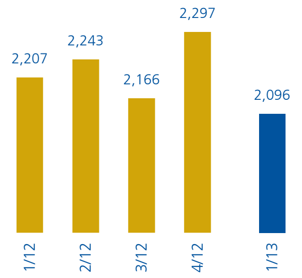
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first quarter of 2013 this caption showed a loss of 12 million euro, compared to the 5 million euro loss recorded in the corresponding period in 2012.

Operating costs

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Wages and salaries	897	945	-48	-5.1
Social security charges	231	242	-11	-4.5
Other	138	169	-31	-18.3
Personnel expenses	**1,266**	**1,356**	**-90**	**-6.6**
Information technology expenses	159	162	-3	-1.9
Management of real estate assets expenses	180	184	-4	-2.2
General structure costs	104	111	-7	-6.3
Professional and legal expenses	72	75	-3	-4.0
Advertising and promotional expenses	24	23	1	4.3
Indirect personnel costs	20	33	-13	-39.4
Other costs	76	83	-7	-8.4
Indirect taxes and duties	193	160	33	20.6
Recovery of expenses and charges	-165	-137	28	20.4
Administrative expenses	**663**	**694**	**-31**	**-4.5**
Property and equipment	92	93	-1	-1.1
Intangible assets	75	64	11	17.2
Adjustments	**167**	**157**	**10**	**6.4**
Operating costs	**2,096**	**2,207**	**-111**	**-5.0**

Quarterly development Operating costs



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

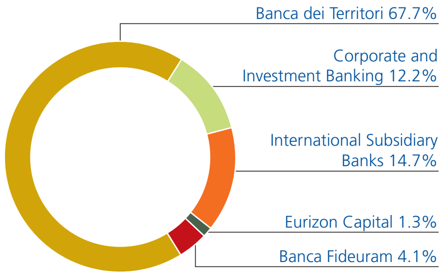
Operating costs amounted to 2,096 million euro, down 5% on the figure recorded in the same period of 2012, with an even more significant reduction with respect to the figure for the fourth quarter of the previous year (-8.8%).
Personnel expenses, amounting to 1,266 million euro, recorded a 6.6% decrease for the most part associated with a decrease in the average workforce (-4.3%) also as a result of the exit incentives.
Administrative expenses amounted to 663 million euro, down 4.5%: contributing to this performance were indirect personnel costs (-13 million euro), general structure costs (-7 million euro), other costs (-7 million euro), particularly those relating to services provided to third parties, management of real estate assets expenses (-4 million euro), legal expenses and those associated with information technology services, both down by 3 million euro.
Amortisation and depreciation totalled 167 million euro, up 6.4% on the first three months of the previous year, mainly due to higher investments in intangible assets, particularly in software application components.
As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 50.9%, up on the 45.9% recorded in the first quarter of 2012 due to the more rapid drop in revenue than the drop in costs, but down compared to the 51.1% recorded in the fourth quarter.

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Banca dei Territori	1,321	1,395	-74	-5.3
Corporate and Investment Banking	239	248	-9	-3.6
International Subsidiary Banks	287	287	-	-
Eurizon Capital	26	30	-4	-13.3
Banca Fideuram	81	84	-3	-3.6
Total business areas	**1,954**	**2,044**	**-90**	**-4.4**
Corporate Centre	142	163	-21	-12.9
Intesa Sanpaolo Group	**2,096**	**2,207**	**-111**	**-5.0**

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

Business areas



All the Business Units contributed to the decline in Group operating costs (-5%): Banca dei Territori (-5.3%), which accounts for approximately 68% of business area costs, Corporate and Investment Banking (-3.6%), Eurizon Capital (-13.3%) and Banca Fideuram (-3.6%). Savings in these business areas were related to both personnel expenses and other administrative expenses. Costs for the International Subsidiary Banks were stable as a result of the decrease in personnel expenses, which offset the increase in other administrative expenses. Corporate Centre costs recorded a decrease (-12.9%).

Operating margin

The operating margin in the first quarter of 2013 was 2,023 million euro, down 22.4% on the same period of the previous year. This trend was generated by the decrease in revenues (-14.4%), not sufficiently offset by the reduction in operating costs (-5%). Compared to the fourth quarter of 2012, operating margin was down 7.9%.

Adjustments to/write-backs on assets

Net provisions for risks and charges

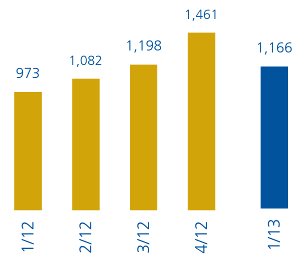
In the first quarter of 2013 net provisions for risks and charges stood at 26 million euro, most of which attributable to provisions for legal disputes involving subsidiaries. This figure compares with 37 million euro recorded in the same period of 2012 and 105 million euro for the fourth quarter of 2012.

Net adjustments to loans

(millions of euro)

	31.03.2013	31.03.2012	Changes	
			amount	%
Doubtful loans	-502	-454	48	10.6
Substandard loans	-512	-397	115	29.0
Restructured loans	-4	-10	-6	-60.0
Past due loans	-132	-113	19	16.8
Performing loans	-29	3	-32	
Net losses/recoveries on impairment of loans	**-1,179**	**-971**	**208**	**21.4**
Net adjustments to/recoveries on guarantees and commitments	**13**	**-2**	**15**	
Net adjustments to loans	**-1,166**	**-973**	**193**	**19.8**

Quarterly development
Net adjustments to loans



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

The worsening of the general economic situation for a considerable length of time now has resulted in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans. This trend continued in the first quarter of 2013, with net adjustments of 1,166 million euro, up on the same period in 2012 (+19.8%), but down by 20.2% compared to the final quarter of the previous year. Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans to be maintained.
Doubtful positions required total net adjustments of 502 million euro, a 10.6% increase compared to the first three months of 2012, with an average coverage ratio of 60.6%. Net impairment losses on substandard loans, totalling 512 million euro, increased by 29% compared to the first quarter of the previous year, with a coverage ratio of 21.3%. Net impairment losses on past due loans also increased by 19 million euro compared to the same period of the previous year (+16.8%), whilst net impairment losses on restructured loans, of a limited value overall, decreased.
Lastly, within performing loans, the changes in generic reserve resulted in a a stable coverage ratio for the physiological risk inherent in the portfolio of 0.8%.

Net impairment losses on other assets

Impairment losses on assets other than loans came to 68 million in the first three months of 2013, essentially attributable to impairment on investments (-40 million euro) and on overseas property from the recovery of outstanding receivables (-16 million euro) and, to a lesser extent, impairment losses on securities held by the insurance companies. This figure compares to the 59 million euro recorded in the same period of the previous year.

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

Investments held to maturity and other investments generated a profit of 5 million euro. This figure compares to the 6 million euro loss reported in the same period of 2012.

Income before tax from continuing operations

Income before tax from continuing operations totalled 768 million euro, down 49.8% on the first three months of 2012, which had benefited from gross capital gains of 274 million euro from the repurchase of own subordinated securities. The result doubled, however, compared to the 386 million euro recorded in the fourth quarter of the previous year.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes came to 364 million euro, lower than the 626 million euro for the same period in 2012 due to reduction of the taxable base. The tax rate was 47.4%, higher than that of the first quarter of 2012, also in relation to the higher incidence of costs not deductible for IRAP purposes.

Charges (net of tax) for integration and exit incentives

This caption amounted to 12 million euro, compared to 14 million euro reported for the first three months of the previous year.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges came to 74 million euro in the first quarter of 2013, essentially in line with the amount recorded for the same period in 2012.

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

No income or loss on discontinued operations was recorded either for the first quarter of 2013 or for 2012.

Net income (loss)

The Group closed the first quarter of 2013 with a net income of 306 million euro, down 61.9% on the 804 million euro reported in the same period of 2012. This result compares to that of the fourth quarter of 2012, which closed with a loss of 83 million euro as a result of the impact of adjustments and the typical seasonal nature of costs.

Balance sheet aggregates

In the first quarter of 2013, Intesa Sanpaolo's consolidated assets recorded a moderate decrease compared to 31 December 2012 (-1%). With regard to assets, there was decrease in loans to customers (-5.1 billion euro) and financial assets held for trading (-2 billion euro), while the exposure to banking counterparties increased (+2 billion euro). Among liabilities, there was a decline in other liabilities (-4.4 billion euro), financial liabilities held for trading (-2.5 billion euro) and amounts due to customers and securities issued (-1.4 billion euro), only partly offset by the increases in financial liabilities designated at fair value through profit or loss (+1.1 billion euro) and technical reserves (+0.9 billion euro), both attributable to the Group's insurance companies.

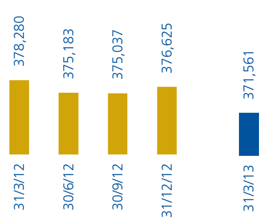
Loans to customers

(millions of euro)

	31.03.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	31,900	8.6	34,199	9.1	-2,299	-6.7
Mortgages	155,626	41.9	157,381	41.8	-1,755	-1.1
Advances and other loans	122,720	33.0	124,948	33.1	-2,228	-1.8
Commercial banking loans	**310,246**	**83.5**	**316,528**	**84.0**	**-6,282**	**-2.0**
Repurchase agreements	**16,152**	**4.3**	**14,911**	**4.0**	**1,241**	**8.3**
Loans represented by securities	**16,191**	**4.4**	**16,714**	**4.4**	**-523**	**-3.1**
Non-performing loans	**28,972**	**7.8**	**28,472**	**7.6**	**500**	**1.8**
Loans to customers	**371,561**	**100.0**	**376,625**	**100.0**	**-5,064**	**-1.3**

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

Quarterly development Loans to customers



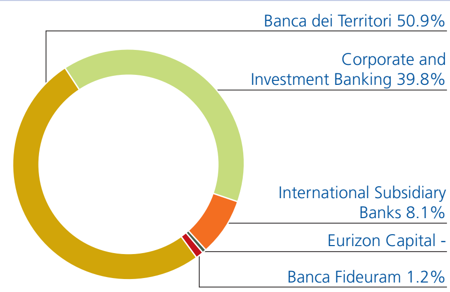
As at 31 March 2013, Intesa Sanpaolo Group loans to customers amounted to approximately 372 billion euro, down 1.3% compared to the end of the previous year.
The decrease in loans since the beginning of the year was due to the reduction in commercial banking loans, down 6.3 billion euro, only partly offset by the increase in repurchase agreements (+1.2 billion euro). The overall change was also influenced by the 500 million euro increase in non-performing loans (+1.8%) and the 523 million euro decrease in loans represented by securities (-3.1%).
The performance of commercial banking loans, influenced by the negative economic cycle, resulted in reductions in the amounts of all technical forms: current accounts were down 2.3 billion euro (-6.7%), advances and loans declined 2.2 billion euro (-1.8%) and mortgages fell 1.8 billion euro (-1.1%).
In the domestic medium-/long-term loan market, in the first quarter of 2013 disbursements to households (including the small business and non-profit segments) totalled 2.6 billion euro and disbursements to businesses under the Banca dei Territori scope exceeded 1.6 billion euro. During the same period, medium-/long-term disbursements to Corporate Italia customers exceeded 5 billion euro.
As at 31 March 2013, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was 15.6% for total loans, down by two-tenths of a percentage point compared to December 2012.

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	180,231	182,077	-1,846	-1.0
Corporate and Investment Banking	141,008	143,134	-2,126	-1.5
International Subsidiary Banks	28,860	29,312	-452	-1.5
Eurizon Capital	114	226	-112	-49.6
Banca Fideuram	4,251	3,985	266	6.7
Total business areas	**354,464**	**358,734**	**-4,270**	**-1.2**
Corporate Centre	17,097	17,891	-794	-4.4
Intesa Sanpaolo Group	**371,561**	**376,625**	**-5,064**	**-1.3**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for half the aggregate of the Group's business areas, recorded a decrease in loans to customers of 1% compared to the end of the previous year, particularly to companies and small businesses. Corporate and Investment Banking loans declined by 1.5%: the lesser use of cash by large Global Industries customers was only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. The loans of the International Subsidiary Banks fell by 1.5%, while Banca Fideuram loans, amounting

to a modest total overall, posted growth (+6.7%) due to current account facilities and repurchase agreement transactions with institutional customers.
The decline in Corporate Centre loans (-4.4%) is partly attributable to decreased reverse repurchase agreement transactions with institutional counterparties.

Loans to customers: loan portfolio quality

(millions of euro)

	31.03.2013		31.12.2012		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	11,558	3.1	11,202	3.0	356
Substandard loans	12,143	3.3	11,495	3.0	648
Restructured loans	2,889	0.8	2,863	0.8	26
Past due loans	2,382	0.6	2,912	0.8	-530
Non-performing loans	**28,972**	**7.8**	**28,472**	**7.6**	**500**
Performing loans	326,398	87.8	331,439	88.0	-5,041
Loans represented by performing securities	16,191	4.4	16,714	4.4	-523
Loans to customers	**371,561**	**100.0**	**376,625**	**100.0**	**-5,064**

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

As at 31 March 2013, the Group recorded an increase of 1.8% in non-performing loans, net of adjustments, compared to the end of the previous year, a slower growth rate than that reported in the quarters of 2012. With non-performing loans accounting for 7.8% of total loans to customers, the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering the guarantees securing the positions. Coverage of non-performing loans came to 43.3%, higher than the level at the end of 2012 (42.7%).
In further detail, net doubtful loans came to 11.6 billion euro at the end of the first three months of 2013, up by 3.2% compared to the beginning of the year, and represented 3.1% of total loans, with a coverage ratio of 60.6%. Substandard loans increased (+5.6%) compared to 31 December 2012, to reach 12.1 billion euro: their incidence on total loans to customers increased to 3.3%, with a coverage ratio increasing to 21.3%. Restructured loans stood at 2,889 million euro, with no significant changes compared to the beginning of the year, and also remained essentially stable in terms of coverage ratio (19.9%) and incidence on total loans (0.8%). Past due loans totalled 2,382 million euro, down by 18.2% compared to the end of 2012.
The coverage ratio of performing loans remained stable at approximately 0.8%.

Customer financial assets

(millions of euro)

	31.03.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	379,263	47.8	380,353	47.8	-1,090	-0.3
Direct deposits from insurance business and technical reserves	83,804	10.6	81,766	10.3	2,038	2.5
Indirect customer deposits	413,162	52.1	413,796	52.1	-634	-0.2
Netting [(a)]	-83,232	-10.5	-81,279	-10.2	1,953	2.4
Customer financial assets	**792,997**	**100.0**	**794,636**	**100.0**	**-1,639**	**-0.2**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.
[(a)] Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, life business technical reserves).

As at 31 March 2013, customer financial assets amounted to 793 billion euro, with a marginal decrease compared to the beginning of the year (-0.2%) owing to the moderate decline in direct deposits from banking business and indirect customer deposits, only partly offset by the increase in direct deposits from insurance business. Direct deposits from insurance business increased by over 2 billion euro (+2.5%) as a result both of insurance liabilities associated with unit-linked products and with life insurance business technical reserves linked to traditional policies. The decrease in direct deposits from banking business of 1.1 billion euro (-0.3%) is attributable to all technical forms, with the exception of current accounts and deposits. The indirect component showed a slight decrease of 0.6 billion euro (-0.2%): the decrease in assets under administration was almost entirely absorbed by the rise in assets under management.

Direct deposits from banking business

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

(millions of euro)

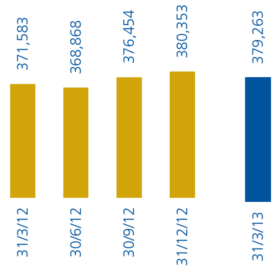
	31.03.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	203,233	53.6	194,680	51.2	8,553	4.4
Repurchase agreements and securities lending	9,115	2.4	14,414	3.8	-5,299	-36.8
Bonds	133,680	35.2	136,407	35.9	-2,727	-2.0
of which designated at fair value (*)	*10*	*-*	*9*	*-*	*1*	*11.1*
Certificates of deposit	6,480	1.7	6,556	1.7	-76	-1.2
Subordinated liabilities	13,149	3.5	13,451	3.5	-302	-2.2
Other deposits	13,606	3.6	14,845	3.9	-1,239	-8.3
of which designated at fair value (**)	*3,429*	*0.9*	*3,054*	*0.8*	*375*	*12.3*
Direct deposits from banking business	**379,263**	**100.0**	**380,353**	**100.0**	**-1,090**	**-0.3**

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

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

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

Quarterly development Direct deposits from banking business



The total of direct deposits from banking business was down slightly compared to the beginning of the year (-0.3%), with diverging performances by the main deposit types.

Current accounts and deposits increased by 8.6 billion euro (+4.4%), primarily owing to the significant placements of savings deposits, driven by customers' interest in time deposits. By contrast, repurchase agreements and securities lending, which are primarily financial in nature, showed a decline of 5.3 billion euro (-36.8%) as a result of a decrease in the Group's transactions with institutional counterparties, and bonds decreased by 2.7 billion euro (-2%). Bonds showed a decrease in the renewal of maturing securities, partly due to the shift in the composition of funding towards more flexible forms such as the aforementioned savings deposits. Other deposits declined by 1.2 billion euro (-8.3%), mainly associated with sums available to customers, only partly offset by the increase of 0.4 billion euro in capital protected certificates issued by Banca IMI and designated at fair value.

Subordinated liabilities and certificates of deposit showed decreases of 2.2% and 1.2%, respectively.

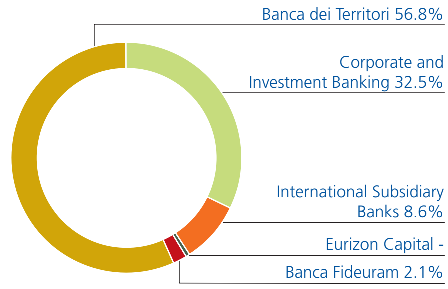
At the end of the first quarter of 2013, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was 16.9%, up by one-tenth of a percentage point compared to the figure at the end of December 2012.

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	201,499	201,540	-41	-
Corporate and Investment Banking	115,144	109,700	5,444	5.0
International Subsidiary Banks	30,672	31,163	-491	-1.6
Eurizon Capital	7	7	-	-
Banca Fideuram	7,381	6,672	709	10.6
Total business areas	**354,703**	**349,082**	**5,621**	**1.6**
Corporate Centre	24,560	31,271	-6,711	-21.5
Intesa Sanpaolo Group	**379,263**	**380,353**	**-1,090**	**-0.3**

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

Business areas



The breakdown by Group business areas shows that Banca dei Territori, which accounts for over half of the aggregate attributable to the Group's total business areas, remained stable compared to the beginning of the year: the increase in amounts due to customers fully offset the decrease in securities issued. Corporate and Investment Banking reported an increase of 5.4 billion euro (+5%), attributable to the amounts due to customers component, owing to the increase in corporate deposits primarily by leading financial institutions and large Italian and international corporate groups, as well as increased in repurchase agreement transactions by Banca IMI. Banca Fideuram's funding of also increased (+10.6%), mainly as a result of the increase in current account deposits held by ordinary customers. By contrast, the International Subsidiary Banks recorded a slight decrease in funding (-1.6%), attributable to amounts due to customers. The decline reported by the Corporate Centre (-21.5%) was due to the decrease in repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.03.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**28,120**	**33.5**	**27,038**	**33.1**	**1,082**	**4.0**
Index-linked products	*1,115*	*1.3*	*1,700*	*2.1*	*-585*	*-34.4*
Unit-linked products	*27,005*	*32.2*	*25,338*	*31.0*	*1,667*	*6.6*
Technical reserves	**55,552**	**66.3**	**54,660**	**66.8**	**892**	**1.6**
Life business	55,112	65.8	54,241	66.3	871	1.6
Mathematical reserves	*48,776*	*58.2*	*47,525*	*58.1*	*1,251*	*2.6*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*6,039*	*7.2*	*6,226*	*7.6*	*-187*	*-3.0*
Other reserves	*297*	*0.4*	*490*	*0.6*	*-193*	*-39.4*
Non-life business	440	0.5	419	0.4	21	5.0
Other insurance deposits (***)	**132**	**0.2**	**68**	**0.1**	**64**	**94.1**
Direct deposits from insurance business and technical reserves	**83,804**	**100.0**	**81,766**	**100.0**	**2,038**	**2.5**

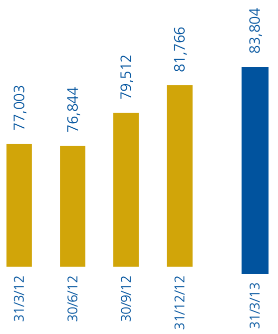
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

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

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

Quarterly development
Direct insurance deposits and technical reservese



Direct deposits from insurance business came to nearly 84 billion euro at the end of March 2013, up by 2.5% from the beginning of the year. Insurance segment financial liabilities designated at fair value recorded growth of 1.1 billion euro (+4%), attributable to the contribution from unit-linked products, which more than offset the decline in index-linked products. Technical reserves, which represent the amounts owed to customers subscribing traditional policies, recorded a net increase of 0.9 billion euro (+1.6%), almost entirely attributable to the life business: this performance is due to the improvement in mathematical reserves, only partly offset by the decrease in deferred liabilities to policyholders, included among other reserves, and by the decline in technical reserves associated with policies with significant insurance risk.

Indirect customer deposits

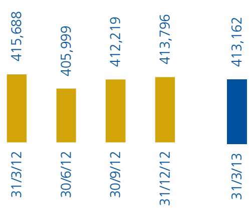
(millions of euro)

	31.03.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	62,685	15.2	59,011	14.3	3,674	6.2
Open-ended pension funds and individual pension plans	3,158	0.8	3,040	0.7	118	3.9
Portfolio management	78,872	19.1	77,140	18.6	1,732	2.2
Life technical reserves and financial liabilities	84,182	20.4	82,122	19.8	2,060	2.5
Relations with institutional customers	10,581	2.5	10,178	2.5	403	4.0
Assets under management	**239,478**	**58.0**	**231,491**	**55.9**	**7,987**	**3.5**
Assets under administration and in custody	**173,684**	**42.0**	**182,305**	**44.1**	**-8,621**	**-4.7**
Indirect customer deposits	**413,162**	**100.0**	**413,796**	**100.0**	**-634**	**-0.2**

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

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

Quarterly development
Indirect deposits



As at 31 March 2013, indirect customer deposits exceeded 413 billion euro, down slightly (-0.2%) compared to the end of the previous year. Customers repositioned into forms of professional asset management, with a transfer from assets under administration to assets under management, a trend that was especially evident for retail customers. Assets under management, which account for more than one-half of the total aggregate, increased by 8 billion euro since the beginning of the year (+3.5%), owing both to the net inflows for the quarter and the revaluation of assets under management. All technical forms under management performed well, particularly mutual funds, which increased by 3.7 billion euro (+6.2%) following the downtrend reported in previous quarters. The overall change was influenced by life insurance policies, which increased by 2.1 billion euro (+2.5%), and portfolio management, which rose by 1.7 billion euro (+2.2%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by relations with institutional customers, which showed an increase of 403 million euro (+4%), and by collective and individual pension forms, which increased by 118 million euro (+3.9%). In the insurance business, the new life business by Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 4.6 billion euro in the first quarter of 2013.

Financial assets and liabilities

(millions of euro)

	31.03.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	61,556	*953*	63,546	*1,125*	-1,990	-3.1
of which derivatives at fair value	*42,782*	*23*	*44,968*	*39*	*-2,186*	*-4.9*
Financial assets designated at fair value through profit and loss	36,747	*35,722*	36,887	*35,748*	-140	-0.4
Financial assets available for sale	97,030	*42,454*	97,209	*43,527*	-179	-0.2
Investments held to maturity	2,150		2,148		2	0.1
Total financial assets	**197,483**	***79,129***	**199,790**	***80,400***	**-2,307**	**-1.2**
Financial liabilities held for trading (*)	**-46,307**	***-93***	**-49,141**	***-79***	**-2,834**	**-5.8**
of which derivatives at fair value	*-43,368*	*-93*	*-46,097*	*-79*	*-2,729*	*-5.9*

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

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

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets fell by 1.2%, primarily owing to financial assets held for trading, which decreased by 2 billion euro (-3.1%). In this context, the decline was entirely attributable to derivatives contracts, a decline which, additionally, is correlated with the analogous decrease in the negative fair value of those derivatives contracts under financial liabilities held for trading. Financial assets available for sale and financial assets designated at fair value underwent more moderate decreases of 179 million euro (-0.2%) and 140 million euro (-0.4%), respectively. By contrast, investments held to maturity did not undergo significant change.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 31 March 2013, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.03.2013	Fair value at 31.03.2013	Income components in case of no transfer (before tax)		Income components for the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	1,562	1,403	26	9	-	15
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	-	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	-	-	-
Shares and funds	Financial assets held for trading	Financial assets available for sale	35	35	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,945	4,148	94	39	66	37
Loans	Financial assets available for sale	Loans	118	111	-30	1	-32	1
TOTAL			**7,660**	**5,697**	**89**	**49**	**33**	**53**

Had the Group not reclassified the above financial assets, a total of 89 million euro in greater positive mark-to-market income components and 49 million euro in other positive components would have been recognised during the quarter. No portfolio transfers were made in the first quarter of 2013.

Net interbank position

The net interbank position as at 31 March 2013 came to a negative 34.2 billion euro, an improvement of 2.6 billion euro compared to the negative figure recorded at the end of 2012 (-36.8 billion euro). The negative imbalance between interbank amounts receivable and payable was affected by loans entered into with the European Central Bank. The use of refinancing through the European Central Bank has been maintained at 36 billion euro since March 2012 and fully consists of funding from participation in the two 3-year auctions (LTROs – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

Sovereign risk exposure

As at 31 March 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 105 billion euro (of which 34 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 25 billion euro. Among these, the exposure to Italian government securities totalled approximately 90 billion euro, in addition to 22 billion euro represented by loans. The figures do not diverge significantly from those as at 31 December 2012.

The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,647**	**47,446**	**1,453**	**89**	**7,778**	**33,917**	**98,330**	**23,539**
Austria	-	3	3	-	34	14	54	-
Belgium	-	5	-	-	10	25	40	-
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	15	-	-	-	-	-	15	-
Czech Republic	-	30	-	-	1	-	31	33
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	-	8	8	14
France	126	3	-	-	239	111	479	19
Germany	83	158	-	33	981	974	2,229	-
Greece	-	-	-	-	2	-	2	-
Hungary	230	685	18	-	139	-	1,072	184
Ireland	-	-	-	-	1	71	72	-
Italy	6,676	44,942	327	56	5,666	32,331	89,998	22,314
Latvia	-	-	-	-	1	-	1	62
Lithuania	-	22	-	-	1	-	23	-
Luxembourg	-	9	-	-	321	90	420	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	35	-	-	113	114	262	-
Poland	44	-	-	-	6	-	50	-
Portugal	-	-	-	-	6	23	29	10
Romania	11	130	-	-	3	-	144	14
Slovakia	-	1,296	1,105	-	29	-	2,430	129
Slovenia	-	125	-	-	-	-	125	186
Spain	462	-	-	-	59	127	648	574
Sweden	-	3	-	-	157	29	189	-
United Kingdom	-	-	-	-	9	-	9	-
North African Countries	**-**	**97**	**-**	**-**	**842**	**-**	**939**	**36**
Algeria	-	-	-	-	-	-	-	36
Egypt	-	97	-	-	842	-	939	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**50**	**-**	**50**	**-**
Other Countries	**598**	**897**	**332**	**596**	**2,753**	**315**	**5,491**	**1,271**
TOTAL	**8,245**	**48,440**	**1,785**	**685**	**11,423**	**34,232**	**104,810**	**24,846**

(*) Debt securities held by insurance companies are recognised as follows: 33.7 million euro in the available for sale portfolio, 0.3 million euro in the portfolio of assets designated at fair value through profit and loss and 0.2 million euro in the trading portfolio.

Shareholders' equity

As at 31 March 2013, the Group's shareholders' equity, including net income for the period, came to 49,377 million euro compared to the 49,320 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the performance of reserves, which include the net income accrued in 2012 and not yet distributed, as well as the net income accruing in 2013. No changes in share capital occurred during the quarter.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2012	Change in the period	Valuation reserves as at 31.03.2013	
				% breakdown
Financial assets available for sale	-59	-265	-324	17.1
of which: Insurance Companies	*221*	*-89*	*132*	*-7.0*
Property and equipment	-	-	-	-
Cash flow hedges	-1,306	95	-1,211	64.0
Legally-required revaluations	351	8	359	-19.0
Other	-678	-40	-718	37.9
Valuation reserves	**-1,692**	**-202**	**-1,894**	**100.0**

As at 31 March 2013 the negative balance of the Group's share of valuation reserves increased to -1,894 million euro from -1,692 million euro reported at the end of 2012. The change for the period was attributable to the decrease in value of financial assets available for sale (-265 million euro), particularly debt securities and equities. Cash flow hedges showed an improvement of 95 million euro. By contrast, other reserves registered a decrease of 40 million euro, while legally-required revaluation reserves underwent marginal change.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	31.03.2013	31.12.2012
Regulatory capital		
Tier 1 capital	34,455	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*2,544*
Tier 2 capital	6,126	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,581**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,581**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	248,668	253,309
Market risks	19,475	18,427
Operational risks	25,734	25,745
Other risks (***)	3,781	1,138
RISK-WEIGHTED ASSETS	**297,658**	**298,619**
Capital ratios %		
Core Tier 1 ratio	10.7	11.2
Tier 1 ratio	11.6	12.1
Total capital ratio	13.6	13.6

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

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

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

Regulatory capital and related capital ratios as at 31 March 2013 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.
As at 31 March 2013, total regulatory capital came to 40,581 million euro, compared to risk-weighted assets of 297,658 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The decrease in risk-weighted assets posted during the quarter is primarily attibutable to ordinary operations and optimisation processes. The decrease was partially offset by the greater impact of the floor for calculating capital requirements for credit risk according to the AIRB approach.

With respect to regulatory capital, it should be noted that effective 1 January 2013 the option granted by the Bank of Italy allowing for the deduction of insurance investments made prior to July 2006 from total regulatory capital is no longer in force. Accordingly, effective reports as at 31 March 2013, such investments are included 50% among deductions from Tier 1 capital and the remaining 50% among deductions from Tier 2 capital; the pro-forma effect, on the basis of the figures as at 31 December 2012, would have been a negative 57 hundredths of a point on the Core Tier 1 ratio.
In addition, regulatory capital takes account not only of ordinary operations, but also an estimate of the dividends to be paid on 2013 net income, the amount of which has been determined on a conventional basis as one-fourth of the dividend proposed by the Shareholders' Meeting of 22 April 2013 for 2012 (0.05 euro per ordinary share and 0.061 euro per savings share).
With respect to the method for determining regulatory capital, it should be remarked that following the notice received from the Bank of Italy on 9 May 2013, a negative prudential filter has been applied in the amount of one-fifth of the DTAs resulting from multiple cases of tax realignment of goodwill. The application of this filter entailed a negative effect on the Core Tier 1 ratio of three hundredths of a point.
The application effective 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) relating to the elimination of the "corridor method" did not yield any impact for regulatory purposes, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.
The Total capital ratio stood at 13.6%, while the Group's Tier 1 ratio was 11.6%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.7%.
Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 March 2013 account for this measure (the effect on the Core Tier 1 ratio is +10 basis points).

Breakdown of consolidated results by business area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first quarter of 2013.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first quarter; it also illustrates income statement figures and the main balance sheet aggregates.
It should be noted that Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
31.03.2013	2,592	1,092	518	74	195	-352	4,119
31.03.2012	2,507	1,163	547	64	231	301	4,813
% change [(a)]	3.4	-6.1	-5.3	15.6	-15.6		-14.4
Operating costs							
31.03.2013	-1,321	-239	-287	-26	-81	-142	-2,096
31.03.2012	-1,395	-248	-287	-30	-84	-163	-2,207
% change [(a)]	-5.3	-3.6	-	-13.3	-3.6	-12.9	-5.0
Operating margin							
31.03.2013	1,271	853	231	48	114	-494	2,023
31.03.2012	1,112	915	260	34	147	138	2,606
% change [(a)]	14.3	-6.8	-11.2	41.2	-22.4		-22.4
Net income (loss)							
31.03.2013	224	384	37	28	57	-424	306
31.03.2012	219	447	24	17	59	38	804
% change [(a)]	2.3	-14.1	54.2	64.7	-3.4		-61.9
Loans to customers							
31.03.2013	180,231	141,008	28,860	114	4,251	17,097	371,561
31.12.2012	182,077	143,134	29,312	226	3,985	17,891	376,625
% change [(b)]	-1.0	-1.5	-1.5	-49.6	6.7	-4.4	-1.3
Direct deposits from banking business							
31.03.2013	201,499	115,144	30,672	7	7,381	24,560	379,263
31.12.2012	201,540	109,700	31,163	7	6,672	31,271	380,353
% change [(b)]	-	5.0	-1.6	-	10.6	-21.5	-0.3

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

[(a)] The change expresses the ratio between 31.03.2013 and 31.03.2012.

[(b)] The change expresses the ratio between 31.03.2013 and 31.12.2012.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	31.03.2013	31.03.2012	Changes	
			amount	%
Net interest income	1,412	1,482	-70	-4.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	947	782	165	21.1
Profits (Losses) on trading	18	27	-9	-33.3
Income from insurance business	212	214	-2	-0.9
Other operating income (expenses)	3	2	1	50.0
Operating income	**2,592**	**2,507**	**85**	**3.4**
Personnel expenses	-769	-830	-61	-7.3
Other administrative expenses	-550	-563	-13	-2.3
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-1,321**	**-1,395**	**-74**	**-5.3**
Operating margin	**1,271**	**1,112**	**159**	**14.3**
Net provisions for risks and charges	-8	-5	3	60.0
Net adjustments to loans	-770	-583	187	32.1
Net impairment losses on other assets	-	-1	-1	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**493**	**523**	**-30**	**-5.7**
Taxes on income from continuing operations	-217	-252	-35	-13.9
Charges (net of tax) for integration and exit incentives	-9	-12	-3	-25.0
Effect of purchase price allocation (net of tax)	-43	-40	3	7.5
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**224**	**219**	**5**	**2.3**

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Loans to customers	180,231	182,077	-1,846	-1.0
Direct deposits from banking business	201,499	201,540	-41	-
Direct deposits from insurance business and technical reserves	68,119	67,597	522	0.8

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

Banca dei Territori's operating income was 2,592 million euro in the first quarter of 2013, amounting to 63% of the Group's consolidated operating income, up 3.4% on the same period of the previous year. In further detail, there was a decline in net interest income (-4.7%), the main drivers of which included lower margins on deposits and a larger contribution by loans to customers. By contrast, net fee and commission income increased (+21.1%), most markedly on asset management and bancassurance products, net fee and commission income on current accounts (including fee and commission income on credit facilities) and fees and commissions on placements. Other income components reported a decrease in profits on trading, from 27 million euro to 18 million euro. Income from insurance business, 212 million euro, contracted slightly (-0.9%), primarily attributable to financial performance, owing in particular to the decrease in the valuation component (adjustments net of retrocession to policyholders), attributable to the strong recovery of the financial markets that took place in early 2012, in addition to the effects of insurance adjustments pursuant to IAS. Operating costs, amounting to 1,321 million euro, fell (-5.3%) compared to the same period of the previous year. The operating margin amounted to 1,271 million euro, up 14.3% on the first quarter of 2012. On the contrary, income before tax from continuing operations decreased by 5.7%, amounting to 493 million euro, penalised by higher adjustments to loans (+32.1%). Lastly, after allocation to the Division of charges for integration of 9 million euro and the economic effects of purchase price allocation for 43 million euro, net income amounted to 224 million euro, up 2.3%.

On a quarterly basis, the first quarter of 2013 reported an operating margin up 19.8% on the fourth quarter of 2012, thanks to the increase in revenues and significant savings on operating costs. Income before tax from continuing operations more than doubled as a result of the decrease in net adjustments to loans, and net income was nearly four times the level reported in the previous quarter.

The balance sheet figures at the end of March 2013 showed loans to customers of 180,231 million euro, down 1% on the previous year-end essentially as a result of the decrease in loans to business and small business customers, which reduced their use of loans due to the negative economic context. Direct deposits from banking business, amounting to 201,499 million euro, remained substantially stable: the increase in amounts due to customers fully offset the decrease in securities issued. Direct deposits from insurance business, amounting to 68,119 million euro, increased slightly (+0.8%), primarily due to technical reserves, which more than offset the decrease in the financial liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Manages the household (individual customers with financial assets under 100,000 euro) and personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and Group loan facilities under 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance and Neos Finance), the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Over 5,000 branches, including Retail, Business and Private-Banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

Retail Marketing Department

Investment	In the first quarter of 2013, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (Spending, Reserves, Investment and Pension) and the Recommended Portfolios. The new process dedicated to Pensions also began, entailing excellent results both in terms of the number of participants and the mix of offerings available. Thanks to the use of an innovative life cycle management approach, customers are offered the line best suited to their pension planning timeframe. Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of: – "Eurizon Cedola Doc Aprile 2019", an Italian registered fund which, through investment in European bond instruments with residual maturity in line with the duration of the investment cycle, aims at achieving a positive absolute return, over an investment horizon of six years, with the distribution of an annual coupon; – "Eurizon Cedola Attiva Maggio 2018" and "Eurizon Cedola Attiva Più Maggio 2018", Italian registered flexible bond funds that aim to optimise return over a five-year investment horizon within the context of the risk level defined for each fund; – Group bonds, the offering of which is updated monthly in accordance with the context and market developments; – "Base Sicura", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least five years, aimed at customers who are seeking growth of their investment over time, thanks to more dynamic separate management, with a guarantee for the capital and a guaranteed minimum return of a compound 1% per annum in the event of liquidation; – "Orizzonte7Anni 2013", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least seven years, aimed at customers who are interested in an investment characterised by safety and an expected return in line with governmental bond markets and a guaranteed minimum return of a compound 2% per annum at expiry or in the event of decease; – "Eurizon Gestione Attiva Classica 04/2018", "Eurizon Gestione Attiva Dinamica 04/2018" and "Eurizon Gestione Attiva Opportunità 04/2018", Italian registered mutual funds with a set duration of five years that aim to maximise the return on investment through flexible management within the level of risk set for each fund; – "Valore Cedola x 5 02/2013", a new sub-fund of the Luxembourg fund "Investment Solutions By Epsilon", which aims to achieve a positive expected return over the recommended investment horizon and distribute an annual coupon; – "ISPL Power", a unit-linked policy offered by Intesa Sanpaolo Life with an investment horizon of seven years, aimed at customers with financial/insurance needs interested in investing in a product with a high degree of management flexibility and benefiting from advantages relating to insurance/succession; – "Eurizon Cedola Attiva Top Maggio 2020", an Italian registered fund that invests in the equity markets of developed countries (USA and Europe) with the aim of optimising return over an investment horizon of seven years; – Certificates on structures of the "Digital" and "Express" types, which met with particular appreciation from customers.
Protection	The range of protection products was expanded to include the new policy "ProteggiConMe", offered by Intesa Sanpaolo Assicura and aimed at satisfying the lifestyle protection needs of families faced with unforeseen events (unemployment, temporary disability, hospitalisation and permanent disability) that may compromise their ability to meet essential expenses. The offering of the policy "ProteggiMutuo" was also updated.
Services	In February, Group branches began to offer the "Express to Family" service, which allows money to be transferred to Albania, Egypt, Romania, Serbia and Ukraine through the international banks belonging to the Intesa Sanpaolo Group at advantageous costs.
Loans	The range of personal loans was expanded by the launch of the new "Prestito Multiplo", a simple, flexible financial solution capable of meeting the needs of various customer segments. The policy "ProteggiPrestito" was also launched during the period; able to b combined with all types of loans, it is characterised by a variable premium, partly on the basis of the applicant's age. The innovations introduced foster access to credit by broadening age limits, while also rendering the burden of repayment sustainable over time through the "instalment deferral" and "instalment change" options.
Mobile banking	The range of mobile banking applications was expanded to include the application "La tua banca per iPhone", which allows all of the Group's customers to access a selection of information channels and useful services, in addition to allowing those who have signed the Internet, mobile and telephone services contract and activated the Internet channel to access a series of banking, information and transaction services, including via their iPhones.

Banca Estesa Project and Out-of-branch Offerings

With the aim of dedicating increasingly close attention to customer service and expectations, in the first quarter of 2013 the Intesa Sanpaolo Group launched the Banca Estesa Project, developed jointly by the Retail Marketing Department and the Small Business Marketing Department, in order to make services and advice available to customers during longer hours, not only via direct channels, but also in branches.
Over 300 of the Group's branches were involved in the first quarter of the year in the extension of operations to the pre-evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities.
In parallel to the extension of branch business hours, the Bank developed its Out-of-branch Offerings, through which managers can reach customers at their homes or workplaces. During the quarter, training was completed for over 280 Personal managers, who passed the exam for entry into the register and signed their contracts.

Small Business Marketing Department

Loans

The new "Finanziamento Sviluppo Business", reserved for small enterprises and professionals in the Small Business segment, became available in early February.
The loan, which may be granted for a minimum amount of 20,000 euro, with a fixed duration of twelve months and maximum pre-amortisation period of six months, may be paired with a guarantee from Fondo Centrale Garanzia (Central Guarantee Fund) and is subject to a commercial constraint: a commitment by the customer to increase the average uses of self-liquidating lines of credit granted by the Bank by an agreed amount over the life of the contract in order to benefit from the favourable conditions envisaged by the product.

Agreements

Intesa Sanpaolo, in the context of its collaboration with Banca ITB, launched to pool their respective qualities and develop innovative services aimed at the tobacconist segment, signed a new implementation agreement with Banca ITB, supplementing the 2011 framework agreement, with the aim of fostering access to credit by tobacconists who are both customers of Banca ITB and holders of current accounts for ordinary operations with a Group bank.

Business Marketing Department

Agreements

In early March a new agreement was signed with Confindustria Piccola Industria, the fourth since 2009, with the aim of reinforcing the relationship and dialogue between companies and the bank and of stimulating and sustaining demand for credit by small and medium enterprises through the use of credit facilities that render access to credit simpler and more profitable. The collaborative arrangements renew the credit line of 10 billion euro, of which 200 million euro is dedicated to new entrepreneurial projects, confirming the strategic areas for supporting the competitiveness of Italian companies already identified in the 2011 agreement: internationalisation, innovation and research, dimensional growth, in part by organising companies in business networks and other forms of collaboration, energy efficiency and environmental sustainability.
In the context of the agreement, the chapter dedicated to new "high-quality" entrepreneurship is based on the development of the project "Adotta una start-up", an initiative aimed at identifying the best entrepreneurial ideas, making them into sustainable businesses through specific training programmes and support from consolidated companies that provide them tutorship through various formulae that range from consulting support to the supply of physical premises and equipment, commercial collaboration and start-up equity investments, thereby helping them grow. A specific financial product, "Finanziamento Neoimpresa", has also been developed in order to support investments in recently incorporated companies.

Thanks to an agreement recently signed with Federalberghi Toscana through Banca CR Firenze, the Intesa Sanpaolo Group has provided hospitality companies in Tuscany with access to a special fund of 100 million euro for financing devoted to redeveloping businesses and bringing hospitality facilities into compliance with new prevention and safety regulations.

In order to support and foster the development of "quality" networks as a means of increasing the competitiveness of Italian enterprises on national and international markets by overcoming size limits, increasing market leverage and improving credit access possibilities, Intesa Sanpaolo, with the support of Mediocredito Italiano, signed an agreement with RetImpresa, Confindustria's Confederal Agency for Business Networks, whose primary areas of collaboration are dedicated offerings, specialist support and targeted training programmes.

Intesa Sanpaolo Private Banking

In the first quarter of 2013, **Intesa Sanpaolo Private Banking** operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and investing in professional staff training.
Advisory services met with strong interest during the quarter, with the subscription of 700 customers to the service (for an average of approximately 500 million euro a month, coming to a total of 2.8 billion euro under advisory contracts). Use of the service is destined to increase throughout 2013 as the commercial network completes specialised training courses.
Measures aimed at developing asset management also continued during the period, yielding excellent results in terms of net inflows to funds and portfolio management schemes (1.2 billion euro since the beginning of the year). The positive results already achieved in 2012 were also confirmed in the area of placements of the Group's certificates and bonds (placements of approximately 400 million euro since the beginning of the year).
Assets managed showed sharp growth during the quarter, rising to 78 billion euro (+1 billion since the beginning of the year), as a result of the effective commercial action by the network and the results achieved by asset management products. The acquisition of new customers and growth of the assets managed by Intesa Sanpaolo Private Banking is being driven to a significant degree by the extension to the entire commercial network of the initiative (launched in pilot form in 2012) aimed at developing synergies with the Business segment of Banca dei Territori in order to create new growth opportunities on the basis of the two segments' common customers. The excellent commercial results, growth of assets under administration and cost-containment measures allowed the cost/income ratio and cost-to-serve to be contained, while also permitting a return on assets in line with 2012 despite the decrease in market rates.
Intesa Sanpaolo Private Banking earned net income of 40 million euro in the first three months of 2013, up by approximately 7% compared to the same period of 2012, mainly as a result of the good performance of revenues (+4.5%), as well as of cost savings (-2.8%).

Product companies

In the first quarter of 2013, **Mediocredito Italiano** disbursed loans of 684 million euro, up by approximately 47% compared to the same period of 2012, in an economic context that continued to be characterised by severe tensions on the credit front. Operations of the Specialised Desks, which continuously strengthen their expertise, as a result of new tools supporting preliminary assessment of loan applications, contributed over 30% of the amount disbursed (about 220 million euro out of 684 million euro). Demand for loans in the Networks and Research area was predominant, accounting for approximately 36% of the total disbursed by the Desks, whereas there was a decline in the contribution by the Energy area (approximately 17% of the total disbursed), in relation to the gradual depletion of the incentives granted through the Gestore Servizi Energetici in support of the relative investments.
The continued focus of the Mediocredito Italiano network on value creation was also confirmed during the period. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, with the use of government guarantees (Fondo Centrale di Garanzia - Central Guarantee Fund, Fondo Nazionale per l'Innovazione - Italian National Innovation Fund and SACE Agreement) with disbursements of approximately 135 million euro in the period.
Lastly, in the area of financing for initiatives relating to Innovation, as well as activity pertaining to governmental grants, activity on the Nova + product continued with disbursements of approximately 139 million euro.
Mediocredito operating margin amounted to 58 million euro, up compared to the 36 million euro in the first three months of 2012 (+57.8%). The company reported net income of 3.3 million euro, compared with 0.3 million euro in the same period of the previous year, as a result of the good performance of revenues (+41.7%) and the reduction in operating costs (-7%), which more than offset the sharp increase in adjustments to loans (+48.3%).

During the quarter, consumer credit activities were conducted through **Intesa Sanpaolo Personal Finance** (formerly Moneta) and Neos Finance. The integration of the two companies took effect from 1 April 2013, involving the partial demerger of the consumer credit, assignment of one-fifth of salary, pension, and delegated payment business of Neos Finance to Intesa Sanpaolo Personal Finance, with only the leasing segment remaining in Neos Finance, until this segment is integrated into the leasing business structure.
During the quarter, the Banca dei Territori distribution network disbursed new loans from Intesa Sanpaolo Personal Finance totalling 474 million euro, up by 37.4% compared to the same period of the previous year (personal loans +44.4%; loans against assignment of one-fifth of salary -3.5%). During the period, a tenacious marketing initiative was undertaken in collaboration with Banca dei Territori aimed at supporting the disbursement of loans and support was provided for the R.Est.A. initiative aimed at countering early repayment. With the goal of favouring proactive contact between managers and customers and improving the likelihood that loan applications will be approved, the model for commercial offering based on new customer profiling, targeting and service logics was further refined. Analysis and assessment of captive and extra-captive marketing processes in view of the integration of Neos Finance also continued. Intesa Sanpaolo Personal Finance's income before tax from continuing operations amounted to 15 million euro compared to 8 million euro in the first quarter of 2012 (+88.1%). This growth is attributable to an increase in revenues (+15.7%), primarily owing to the development of net interest income (+20.9%) and the reduction in operating costs (-29.4%). Net income more than doubled compared to the first three months of 2012, coming to 8.9 million euro.
Neos Finance closed the first quarter of 2013 with a total amount financed of 333 million euro, up by 6% compared to the same period of 2012. The various segments showed diverging trends (car loans +10.8%, special-purpose loans +17.4%, assignment of one-fifth of salary +61.7%, leasing -88.6% and personal loans -31.4%). In further detail, the decrease in personal loans may be attributed to the rationalisation of the branch network, which saw the number of contracts halved with respect to the previous year. During the quarter, various marketing campaigns were conducted for the car loan, photovoltaic loan, personal loan and assignment of one-fifth of salary products.

The operating margin of Neos Finance amounted to 20 million euro, up 2.8% compared to the same period of 2012 due to cost savings (-7.7%). The high adjustments to loans recognised during the quarter, up compared to the first three months of the previous year, resulted in a loss before tax from continuing operations (-14 million euro) and a net loss (-12 million euro).

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.

Almost all of the 12.6 million cards managed by Setefi as at 31 March 2013 are cards issued directly by the Parent Company and the Group banks (+15.4% compared to the first three months of 2012). The number of POS at the end of March 2013 amounted to approximately 294,000. In the first quarter of 2013, the volume of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) and the total amount transacted increased compared to the same period of 2012. The total number of transactions handled came to approximately 159 million euro, while the amount transacted stood at approximately 11.6 billion euro. The main actions implemented during the quarter included: the further expansion and development, along with the Group banks, of the "Move and Pay" platform and the "Mobile Payments" projects (in which a smartphone may be associated with a payment card and a telephone SIM card in order to enable purchases using the mobile device in "proximity" to contactless POS), as well as the offering to customers of additional services for purchases on the Web, including the "My Bank" mode, which allows customers to make online payments securely through the payment authorisation environment with which they are familiar from their own Internet banking site. Also worthy of note are the increase in Setefi's presence on the acquiring market for petrol companies and the completion of the feasibility analysis for the project that will allow top-ups of Intesa Sanpaolo prepaid cards and telephone credit top-ups to be managed using POS. In addition, work continued to reposition activities relating to the Bancomat/Pagobancomat card authorisation system within Setefi. Lastly, attention should be drawn to the development of the measures required to obtain PCI_DSS (Payment Card Industry Data Security Standard) certification relating to the security standard for protecting cardholder information.

In the first quarter of 2013, Setefi recorded a significant increase in operating margin, which rose to 51 million euro (+13.6% compared to the same period of 2012) and in net income, amounting to 34 million euro (+13.7%), as a result of the increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

Banca Prossima

During the first three months of 2013, **Banca Prossima**, which operates in the non-profit sector with 65 local branches and 150 specialists distributed across the country, continued to acquire new customers for the Group. As at 31 March 2013, the bank had almost 23,380 customers (more than 67% of which new to the Group). Financial assets amounted to 4.4 billion euro, of which 3.4 billion euro in indirect customer deposits and about 1 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.6 billion euro (of which approximately 1 billion euro had been used). In the first quarter of 2013 the company reported revenues of 11 million euro (+25.3% compared to the same period of the previous year), achieving an operating margin of 4.1 million euro and net income of 1.4 million euro.

During the quarter, to consolidate and further strengthen Banca Prossima's leading role for the non-profit sector, commercial operations increasingly concentrated on acquiring new customers as well as developing existing customers. In addition, in the context of measures in support of access to credit aimed at organisations, Banca Prossima, in concert with the Intesa Sanpaolo Group, entered into two memoranda signed by the Italian Banking Association and associations representing companies with the objective of supporting small and medium enterprises in factoring receivables from the Public Administration ("PA Receivables" line) and investment projects undertaken by small and medium enterprises (the "Italy Investments" line).

The initiatives, in addition to cooperatives and social enterprises that meet the requirements for classification as SMEs, are also addressed to associations and foundations, including non-profit charitable entities, provided that they use organised resources and personnel to engage in economic activity, including on a secondary basis with respect to their other activities.

Lastly, the bank signed the Fourth Italian Banking Association-Cassa Depositi e Prestiti Agreement to facilitate access to credit at advantageous conditions for non-profit organisations with the characteristics of SMEs through the use of dedicated funding.

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, Neos Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group includes: Intesa Sanpaolo Assicura, which operates in the non-life business, in addition to Bentos Assicurazioni, effective late 2012; Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.

In the first quarter of 2013, Intesa Sanpaolo Vita reported an operating margin of 176 million euro, up 1.3% compared to the same period of 2012, primarily owing to lower allocations to supplementary reserves (in particular for policies with specific asset funding), as well as profit on trading on investments, which more than offset the decrease in the valuation component attributable to the strong recovery of the financial markets that took place in early 2012. At the end of march 2013, the portfolio of policies came to 68,290 million euro, up slightly from the beginning of the year (+0.9%). In the first quarter of 2013, gross life premiums underwritten for both insurance products and policies with investment content amounted to 2,934 million euro, compared to 1,816 million euro in the same period of the previous year. New life business amounted to 2,871 million euro in premiums underwritten (1,748 million euro in the first three months of 2012).

As at 31 March 2013 the assets managed by **Intesa Sanpaolo Previdenza** came to 1,571 million euro, of which 1,293 million euro consisted of open-ended pension funds established by the company (+3.5% compared to the end of December 2012) and 278 million euro of closed-end funds (stable compared to the beginning of the year). Net inflows for the quarter were positive (9.3 million euro), owing to the contribution by open-ended pension funds. At the end of March 2013, Intesa Sanpaolo Previdenza had approximately 276,600 pension positions under management, of which nearly 155,000 were attributable to administration mandates granted by third parties. In the first quarter of 2013, Intesa Sanpaolo Previdenza promoted the placement of its open-ended pension funds through a new sales process, whereby the company provides distribution networks with estimates of pension coverage and the tax benefits arising from participation. Lastly, in keeping with the longer business hours for Group branches, the company expanded the availability of its products and extended customer service hours to the pre-evening and Saturday morning time brackets.

Corporate and Investment Banking

(millions of euro)

Income statement	31.03.2013	31.03.2012	Changes amount	Changes %
Net interest income	577	593	-16	-2.7
Dividends and profits (losses) on investments carried at equity	-67	12	-79	
Net fee and commission income	264	273	-9	-3.3
Profits (Losses) on trading	314	280	34	12.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	4	5	-1	-20.0
Operating income	**1,092**	**1,163**	**-71**	**-6.1**
Personnel expenses	-99	-107	-8	-7.5
Other administrative expenses	-139	-140	-1	-0.7
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-239**	**-248**	**-9**	**-3.6**
Operating margin	**853**	**915**	**-62**	**-6.8**
Net provisions for risks and charges	-4	-2	2	
Net adjustments to loans	-256	-190	66	34.7
Net impairment losses on other assets	-22	-36	-14	-38.9
Profits (Losses) on investments held to maturity and on other investments	-	-17	-17	
Income (Loss) before tax from continuing operations	**571**	**670**	**-99**	**-14.8**
Taxes on income from continuing operations	-186	-223	-37	-16.6
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**384**	**447**	**-63**	**-14.1**

(millions of euro)

	31.03.2013	31.12.2012	Changes amount	Changes %
Loans to customers	141,008	143,134	-2,126	-1.5
Direct deposits from banking business [(a)]	115,144	109,700	5,444	5.0

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

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

In order to respond to the changed, more competitive domestic and international economic scenario as effectively as possible, the Corporate and Investment Banking Division adopted a new sector-based service model designed on the basis of the assignment of companies to specific sectors (by industry and market). Through the Global Industries and Corporate Italia Departments, and, in the context of the International Department, the Foreign Corporates Service, the new organisational model aims to achieve unified management of Italian and international customers while differentiating the service and organisational model according to macro-segmentation, potential spending on financial services and the objective of strong international development of Italian and international customers.

In the first quarter of 2013, the Division recorded operating income of 1,092 million euro (representing 26.5% of the Group's consolidated total), down by 6.1% compared to the same period of 2012.
In further detail, net interest income of 577 million euro declined (-2.7%), primarily as a reflection of the decrease in the net investment result observed on the capital markets segment of Banca IMI in relation to a fall in volumes and a lower return on the AFS and HFT securities portfolios. Conversely, with regard to business with corporate customers, net interest income increased owing to the rise of the mark-up and the expansion of average direct deposits volumes, which confirm marketing policies aimed at maximising corporate deposits. Net fee and commission income, amounting to 264 million euro, recorded a 3.3% decrease attributable to the investment banking segment, only partially offset by commercial banking services offered to customers, particularly loans and guarantees. Profits on trading, 314 million euro, increased (+12.1%), owing to the valuation of the merchant banking securities portfolio, which reflected the realisation of capital gains on the disposals of equity investments in Prada and Goglio. Operating costs amounted to 239 million euro, down by 3.6% compared to the same period of 2012, due to lower personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 853 million euro, recorded a 6.8% decrease. Income before tax from continuing operations, amounting to 571 million euro,

declined (-14.8%) owing to higher net adjustments to loans following impairment of positions attributable to the leasing business and Corporate Italia. Lastly, net income came to 384 million euro, down by 14.1% on the first three months of 2012.
In quarterly terms, the first quarter of 2013 showed an increase in operating income (+4%) compared to the fourth quarter of 2012, primarily attributable to the positive performance of profits on trading. The growth in revenues, along with lower operating costs (-5.6%), resulted in an increase in operating margin (7%). Income before tax from continuing operations showed a significant increase (+76.9%) compared to the fourth quarter of 2012, which had been penalised by the impairment of the equity investment in Telco, and net income was more than double the level for the previous quarter.
The Division's intermediated volumes grew slightly compared to the end of December 2012 (+1.3%). In detail, direct deposits from banking business, amounting to 115,144 million euro, increased by 5%, mainly due to specific commercial operations aimed at increasing corporate deposits primarily by leading financial institutions and large Italian and international corporate groups, as well as increased dealings in repurchase agreements by Banca IMI. Loans to customers, amounting to 141,008 million euro, decreased by 1.5%, resulting from the lesser use of cash by large Global Industries customers, only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Global Industries	The Department is responsible for managing relations with the 200 corporates (of which 50 are Italian and 150 foreign) with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer)
Large Corporate Italia	The Department is responsible for serving approximately 2,000 Italian large and medium corporates, that are not part of either the Global Industries or Public Finance segments, by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Public Finance and Infrastructure	The Department serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
International	The Department is responsible for managing relations with corporates with a foreign-based parent company that are not part of the Global Industries segment, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the Leasing Hub through the companies Leasint and Centro Leasing
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 74 branches dedicated to corporate customers and public customers. At the international level, it operates in 30 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

Global Industries and Corporate Italia Departments

In the first quarter of 2013, the degree of use of volumes remained above the average level for the system, especially with regard to Italian customers. Constant assessment of risk, as well as a balanced policy of development in loans to customers, resulted in the Group increasing its overall share of wallet in Italy in terms of both amounts approved and amounts used, primarily with regard to domestic and multinational customers.
During the quarter, the "Start-Up Initiative" continued, through which the Group supports the development of Italian and international technology companies, as a sponsor able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since the launch of the initiative, 50 editions have been held, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for customers (primarily Italian multinationals and international corporations) continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. The operations of the Fondazione Ricerca e Imprenditorialità, established in September 2010, continued. This Foundation aims at bringing together the three main components of technological innovation: scientific research, industry and banking. The operations of the Foundation aim to: promote research-driven businesses; select innovative small businesses that deserve to be supported in their growth, so that they reach a level of development that attracts operators and investors; promote knowledge among high-tech SMEs to favour their integration in high-innovation chains of business; develop synergies and partnerships with public entities and other Italian and foreign public or private organisations, in order to enhance and support the growth of innovative businesses.

Public Finance and Infrastructure Department

In the first quarter of 2013, to promote the development of large domestic infrastructures, the Department, in collaboration with Banca IMI, continued its activity on large motorway projects including the Milan East outer ring road, Pedemontana Lombarda motorway and BreBeMi (Brescia-Bergamo-Milano motorway). With regard to the latter project, a long-term loan agreement was entered into with a pool of institutional lenders in order to finance the construction of Italy's first large motorway infrastructure project using solely private self-financing, according to a project financing scheme. Support for the Pizzarotti Group and Astaldi Group was also renewed.
In the area of healthcare services, universities and scientific research, the construction of the new Garbagnate Hospital and parking lot was financed according to the project financing approach. With the aim of fostering the efficiency of the Healthcare System of the Region of Lazio, the credit limit was renewed for the without recourse factoring of receivables claimed by contracted healthcare facilities from the Local Healthcare Authorities and the factoring of receivables for goods and services claimed by suppliers of Hospitals in the Region. Without recourse factoring of receivables claimed by suppliers of the Regional Healthcare System also continued.
In the area of improvement of public services and utilities, initiatives in the multiutility sector included: financing for Linea Group Holding, a company based in Lombardy and owned by the municipalities of Cremona, Rovato, Lodi, Pavia, Crema and others, with the aim of reinforcing the company's financial structure and supporting its investment plan. Also worthy of note was the transaction undertaken with Banca IMI for the placement of the HERA bond and financing for debt restructuring granted to ENAV. In the alternative, low-environmental-impact energy sector, financing was provided for the construction of a photovoltaic plant in the municipality of Satriano di Lucania.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local authorities. Support continued to be provided for Public Administrations through the without recourse factoring of receivables claimed by suppliers and subject to specific agreements signed with a number of local entities throughout Italy, including the Municipality of Florence and the Province of Padua. This was also the context for the renewal of the agreement with Roma Capitale for the without recourse factoring of receivables claimed from the Municipality by cooperatives that provide personal and community services, such as associations that support the disabled and elderly, day-care centres and park maintenance services. Lastly, services continued to be provided in support of the activity of major social-security agencies, such as INPS and INAIL, the payment of salaries for participants in Italian international missions and financial assistance for Poste Italiane.
Urban and local development projects included especially significant activity in the port logistics sector: disbursements continued for the Port Authorities of Naples, Salerno, Venice and Carrara with the aim of undertaking infrastructure projects, and financing was approved for the Port Authority of Genoa to expand the port and construct the seaward expansion. Lastly, a bond issue was subscribed in favour of Patrimonio del Trentino, a company fully owned by the Province of Trento, intended to complete the Trento Science Museum.

International

The International Department directly covers 30 countries through 13 wholesale branches, 18 representative offices, 2 subsidiary banks and one advisory firm. In the first three months of 2013, as confirmation of the Group's growing commitment to supporting companies that operate or intend to operate on international markets, international development projects continued with the aim of increasing attention to and coverage of relations with Italian and international customers and further expanding service content while also improving quality. The expansion plan also continued through investments on the fastest-growing and most attractive international markets. The main results achieved from this perspective include the opening of the Warsaw branch and the Sydney representative office, which contribute to the development of the Bank's operations in Central Eastern Europe and the Asia Pacific (APAC) areas, respectively.
The Department is responsible for:

- **Société Européenne de Banque**, which recorded net income of 45 million euro in the first quarter of 2013, down (-6%) on the same period of 2012, attributable to the decrease in revenues (-2.8%), only partially offset by cost savings (-0.6%) and value adjustments to loans;
- **Intesa Sanpaolo Bank Ireland**, which reported net income of 18 million euro, up by 32.9% compared to the first quarter of the previous year, mainly due to the rise in operating income (+29.8%), driven by higher net interest income.

Global Banking & Transaction

In the first quarter of 2013, in a scenario characterised by a general, significant improvement in the perception of risk by investors, which was reflected in a sharp increase in the demand for higher-return assets such as the securities of peripheral countries, equities and high-yield securities, the Group participated in 33 syndicated lending transactions. The greater amount of liquidity present in the system supported demand for investments, generating an increase in Banca IMI's capital markets flows and transactions.
In Trade Finance, there was an increase in transaction volumes, especially in Latin America, where important working capital facilities were closed with major Brazilian banks. In terms of commercial development, in order to improve the Bank's penetration of the Italian SME segment, a marketing plan was agreed upon for the TEF (trade export finance) product with Banca dei Territori Division's Marketing Department. The plan, which has an initial duration of three months, envisages that managers of SMEs may be able to grant profitable conditions for their best customers on an autonomous basis, with the aim to obtain confirmation of open letters of credit in the target countries. The objective of the initiative is to achieve more effective use of lines of credit that are currently under-utilised.
In the Structured Export Finance sector, the strategy of favouring Italian operations backed by SACE continued, owing in part to the Group's increasing role in the "Export Banca" agreement with Cassa Depositi e Prestiti, aimed at favouring the creation of a national system to support exports capable of competing with the best international initiatives. Two shipping finance transactions and a transaction aimed at the construction of a facility in Belarus were also closed in the first quarter. In addition, a contract was awarded for the construction of a facility in Ukraine.
Structured Trade Finance activity continued selectively in emerging or international markets through the achievement of an adequate risk/return ratio and the possibility of further development of more extensive commercial relations with counterparties. This was the context for participation in a one-year borrowing-base transaction for a company operating in the ferrous metals recycling sector in Europe, as well as participation in five-year pre-export type financing for a major fertilizer manufacturer based in Russia.
In Transaction Banking, start-up activity for corporate and financial institution customers was consolidated through the new Inbiz Web channel for both cash business and trade transactions (L/C, domestic and international guarantees and remittances), and a new offer of online payment services, "Mybank", was developed, allowing customers to use e-commerce services from their own Internet portals. In addition, particularly intense activity was carried out in support of the migration to SEPA, the new pan-European payment scheme that envisages a profound transformation of the domestic and international credit transfer and direct debit payment systems and will require commitment from the Bank until the migration, planned for February 2014.
Lastly, in Local Custody activity relating to Securities Services and post-trading services, there was a reduction in the volumes of transactions settled on behalf of customers in line with market performance in the first three months of 2013. However, the impact of this scenario was partially offset by an increase compared to the same period of 2012 in volumes of Italian securities in custody and on sub-deposit by institutional customers, owing in part to the inclusion in the portfolio of a significant new customer at the end of the previous year. Marketing initiatives focused on the finalisation of processes of acquiring new business through agreements with two important international banks. Cross-selling activity was developed with Banca IMI with the aim of acquiring execution/integrated custody contracts, and a global custody project was launched in partnership with State Street with the objective of marketing the services concerned through domestic third intermediaries in 2013. In the area of network management, i.e. oversight of Intesa Sanpaolo's sub-depositaries, analyses continued and due diligence activity is currently being carried out in relation to several countries identified as being high priorities, in view of reducing management costs and subsequently re-pricing the services rendered to internal and external customers.

Merchant Banking

As at 31 March 2013, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 3.2 billion euro, of which 2.6 billion euro was invested in companies and 0.6 billion euro in private equity funds.
In the first quarter of 2013, the Department acquired a 31.25% equity interest in Class Digital Service for an outlay of 5 million euro. The company is a newly incorporated member of the Class Editori Group into which the publishing company's activities relating to the electronic dissemination of financial data and associated information have been concentrated.
With regard to disposals, the sale on the market of the equity interest in Prada was completed, resulting in the realisation during the period of a capital gain of 69 million euro net of taxes. In addition, the equity investment in Goglio was sold through the subsidiary IMI Investimenti, realising a capital gain of approximately 8 million euro.
Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in the new national Atlante Private Equity fund, dedicated to small and medium-sized enterprises, and in venture and seed capital funds.

Structured Finance

In the first quarter of 2013, Banca IMI structured various financing transactions in collaboration with the relation business units of the Corporate and Investment Banking and Banca dei Territori Divisions in support of Group customers, including: the transaction aimed at supporting the international development of the Calzedonia group; financing for HMSHost (former Autogrill Group); the signing of the Forward Start Facility for Enel set to mature in 2018, as well as of that for Telecom; and the Revolving Credit Facility for Fiat Industrial. Also worthy of note are the organisation of the club-deal loan for Farmafactoring; the organisation, structuring and underwriting of the pool loan for Italmatch Chemicals; and the organisation of the loan intended for the acquisition of Gallo Alessandro (which designs, manufactures and markets apparel, footwear and accessories under the Golden Goose brand) by a vehicle owned by the funds DGPA Capital and Riello Investimenti.

As part of Project & Acquisition Finance, Banca IMI contributed to the structuring of international and domestic transactions aimed at: supporting the mandatory takeover bid launched by the Fincantieri group for STX OSV Holdings Limited (Singapore), a firm specialised in designing and building vessels used in the exploration and production of offshore natural gas and oil; refinancing the existing debt of the Arqiva group, the leading operator in the telecommunications tower sector in Great Britain; building and operating a wind farm in the Province of Cagliari sponsored by the Greentech Energy Systems group; and supporting the takeover bid launched by Salini for Impregilo. Activity aimed at promoting and structuring additional credit facilities, such as the construction of a photovoltaic facility in Romania, also continued and is expected to be finalised later in 2013.

In the real estate segment, in a scenario of uncertainty in the European and Italian real estate markets, Banca IMI continued intense origination activity aimed at structuring credit facilities in support of investments in the sector of reference by offering a full range of financial products dedicated to real estate and providing specialised advice for the real estate segment. In relation to the structuring of financing, mention should be made of the loan granted in late 2012 in support of the real estate fund promoted by the Province of Rome and managed by BNP REIM SGR. With regard to advisory services, activities continued with the aim of to upgrade a hotel located in Venice and placing units of the Boccaccio real estate fund managed by Aedes BPM Real Estate SGR. Among the new contracts awarded, mention should be made of the contract to optimise the two real estate development projects in Milan involving a shopping centre and an executive office complex.

Lastly, as regards Loan Agency operations, Banca IMI expanded its business scope both in terms of coverage of customers (by also targeting public corporate customers) and by systematically acting as an agent in debt restructuring plans in major transactions. Transactions were undertaken with Fincantieri Oil, Energia Alternativa, Garbagnate and Linea Group Holding during the period. In the restructured loans segment, activities were performed for the groups Zucchi, Zaleski, Canepa, TAS, Coestra, Pininfarina, Salmoiraghi and Tiscali.

In Public Finance, mention should be made of the closing of the pool loan agreement for the Bre.be.mi transaction, the financing for Acqua Novara VCO with the role of hedging bank in a pool with other banks, the disbursements for Farpower and Eurowind Ascoli 1 to build a wind park in the Province of Foggia and, lastly, a credit facility for Volteo Energie to build four biogas plants in the Province of Pavia.

Proprietary Trading

In the first quarter of 2013, Proprietary Trading reported a positive contribution to the income statement, essentially in line with that reported in the same period of 2012.

In structured credit products, there was a positive contribution on unfunded CDO positions, which increased considerably compared to the first quarter of the previous year. During the quarter, this segment continued to reduce its exposure to risk positions classified in both the trading book and the loan portfolio. As at 31 March 2013, the risk exposure to structured credit products, European/US funded and unfunded ABSs/CDOs, amounted to 2.1 billion euro, down compared to 2.2 billion euro as at 31 December 2012, while exposure with respect to structured packages remained unchanged at 3 million euro.

At the end of March 2013, the hedge funds portfolio totalled 719 million euro, up slightly from 696 million euro at the end of 2012. The segment generated a positive contribution to the income statement in the first quarter of 2013, benefiting, in a year marked by high volatility, from the recovery in securities in the financial and real estate sectors. Long positions taken on specific debt restructuring transactions also provided a positive contribution, in industrial and consumer sectors and relating to securities previously burdened by a sharp deterioration in country risk. The segment's trading revenues were lower than those reported in the same period of 2012, which had been characterised by a stronger performance in the banking and energy sectors.

Investment Banking, Capital Market and primary market

In the first three months of 2013, Banca IMI ranked in first place in Italy in the debt capital market segment. In relation to corporate issuers, the Bank concluded 12 transactions as bookrunner for a total value of 2.7 billion euro. In relation to financial institution customers, Banca IMI confirmed its leadership in the placement of bonds issued by Italian banks and further improved its positioning with European customers. In Italy, the bank acted as bookrunner for the senior unsecured eurobonds issued by Intesa Sanpaolo, Banco Popolare, Veneto Banca and Unicredit. On the international market, the bank acted as bookrunner for bond issues by BPCE SFH and Société Générale. In relation to corporate customers, the Bank acted as bookrunner for the issues by Fiat, Hera and Italcementi, among other deals. Particularly significant was the hybrid issuance by Telecom Italia, a transaction that drew investors' attention as the first of its kind by an Italian issuer after 2006.

Abroad, Banca IMI acted as bookrunner for various issues, including those by Auchan, Telefonica, GE Capital, Gas Natural, EDF and RCI Banque. In the high-yield segment, the bank distinguished itself with the Cerved Technologies and IVS F issues. For issuers in the sovereign, supranational and agencies segment, Banca IMI confirmed its leadership in the placement of Italian government securities (in January it acted as lead manager and bookrunner for the issue of the new 15-year BTP) and it also participated in issues by the EFSF (European Financial Stability Facility) as co-lead manager.

In the equity capital market segment, Banca IMI maintained its usual coverage of the market, with the goal of holding a position of leadership on the domestic market and growing its presence in the international market. In the first quarter of 2013, it acted as joint bookrunner in the placements of bonds convertible into shares of Beni Stabili and Astaldi. The Bank also confirmed its

leadership in the takeover bid/delisting segment, overseeing the takeover bids launched by Hera on Acegas-APS, by Pai on Marcolin and by Salini on Impregilo in the role of financial advisor and the intermediary responsible for coordinating subscriptions.
As at 31 March 2013, Banca IMI was acting as specialist or corporate broker for 47 companies listed on the Italian market, continuing its leadership in this market segment. During the STAR event organised by Borsa Italiana, the bank received the award for top intermediary in the organisation of meetings between listed companies and the financial community for the third consecutive year.
In its M&A Advisory activity, Banca IMI advised: Fincantieri in one of the largest cross-border transactions by an Italian company in recent years, involving the acquisition of STX OSV, a company listed on the Singapore Stock Exchange and global leading manufacturer of supporting equipment for the extraction and production of oil and natural gas; Bain Capital and Clessidra in the sale of Cerved to CVC; Luxottica in the acquisition of 36% of Salmoiraghi & Viganò; and Granarolo in the sale of CSL, a company operating in the probiotics sector, to Clerici Sacco. The bank also rendered advisory services in several especially significant transactions expected to be closed in the coming months, such as advising Atlantia in its merger with Gemina, Salini group in the voluntary takeover bid on the entirety of the ordinary shares of Impregilo, Exor in the conversion of preferred shares and ordinary savings shares and, lastly, Cinven in the sale of the Avio group's aviation business to General Electric.

Factoring and Leasing

In the first quarter of 2013, **Mediofactoring** reported a turnover of 12 billion euro, a 4.6% decrease on the same period of 2012, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 29.8%, down from 30.5% at the end of 2012. Compared to 31 December 2012, outstanding receivables, equal to 12.6 billion euro, posted a decrease (-5.4%), and period-end loans came to 10.7 billion euro, down by 6%. This performance was attributable to the seasonality of factoring, characterised by increasing rises in operations over each quarter of the year. The positive performance of operations was confirmed by the average volumes of loans, amounting to 8.8 billion euro, up 1.7 billion euro compared to the same period of the previous year (+23.8%).
In terms of income statement figures, the operating margin for the first quarter of 2013, amounting to 57 million euro, was up by 22% compared to the same period of 2012 as a result of the increase in operating income (+18.4%), driven by net interest income, which benefited from the positive performance of average volumes. Net income amounted to 30 million euro, up by 33.4% on the first three months of 2012.

At the end of March 2013, Intesa Sanpaolo was the number-two leasing provider in the Italian market with a share of 13%.
Following the definition of the strategic guidelines for the **Leasing Hub** for 2013, commercial activity focused on controlled, selective development aimed at increasing profitability. This goal was pursued through the discontinuation of production by Centro Leasing and a focus on captive channels and top-rated customers.
During the quarter, the Leasing Hub entered into over 1,700 new contracts, for a total amount of approximately 455 million euro, down by 27.3% compared to the first three months of 2012. The amount outstanding, 22.7 billion euro at the end of March 2013, was down slightly compared to the end of December 2012 (-0.3 million euro). The property leasing segment recorded growth compared to the same period of 2012, whereas the energy, automotive and instrumental leasing segments showed a downturn. In terms of income statement figures, the Leasing Hub closed the first three months of 2013 with a net loss of 24 million euro, compared to the net loss of 5 million euro in the same period of 2012, owing to the increase in net adjustments to loans (+57.2%), which more than offset the increase in revenues (+9.6%) and lower operating costs (-14.4%).

International Subsidiary Banks

(millions of euro)

Income statement	31.03.2013	31.03.2012	Changes	
			amount	%
Net interest income	383	412	-29	-7.0
Dividends and profits (losses) on investments carried at equity	8	9	-1	-11.1
Net fee and commission income	131	129	2	1.6
Profits (Losses) on trading	18	14	4	28.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	-22	-17	5	29.4
Operating income	**518**	**547**	**-29**	**-5.3**
Personnel expenses	-149	-151	-2	-1.3
Other administrative expenses	-107	-103	4	3.9
Adjustments to property, equipment and intangible assets	-31	-33	-2	-6.1
Operating costs	**-287**	**-287**	**-**	**-**
Operating margin	**231**	**260**	**-29**	**-11.2**
Net provisions for risks and charges	-1	-4	-3	-75.0
Net adjustments to loans	-137	-205	-68	-33.2
Net impairment losses on other assets	-18	-4	14	
Profits (Losses) on investments held to maturity and on other investments	-	1	-1	
Income (Loss) before tax from continuing operations	**75**	**48**	**27**	**56.3**
Taxes on income from continuing operations	-38	-24	14	58.3
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**37**	**24**	**13**	**54.2**

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Loans to customers	28,860	29,312	-452	-1.5
Direct deposits from banking business	30,672	31,163	-491	-1.6

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

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

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

In the first quarter of 2013, the Division's operating income was down 5.3% compared to the same period of the previous year, amounting to 518 million euro. A detailed analysis shows that net interest income came to 383 million euro, a decrease compared to 412 million euro in the first quarter of 2012 (-7%), mainly due to the trends reported by Privredna Banka Zagreb (-11 million euro), CIB Bank (-8 million euro) and Banca Intesa – Russia (-6 million euro), only partly absorbed by the increase recorded by VUB (+3 million euro). Net fee and commission income, amounting to 131 million euro, recorded an increase of 1.6%, largely attributable to CIB Bank (+2 million euro). Profits on trading, amounting to 18 million euro, also increased (+28.6%) due to a larger contribution from VUB Banka (+9 million euro), only partly offset by the decrease by CIB (-4 million euro) and PBZ (-3 million euro).
Operating costs, amounting to 287 million euro, were stable compared to the first quarter of 2012. Due to the trends in revenues and costs described above, the operating margin came to 231 million euro, down 11.2%. By contrast, income before tax from continuing operations, amounting to 75 million euro, was up compared to the same period of the previous year (+56.3%), mainly due to lower adjustments to loans (-68 million euro), essentially attributable to CIB Bank (-56 million euro). The Division closed the first quarter of 2013 with a net income of 37 million euro, up compared to the 24 million euro reported in the same period of the previous year (+54.2%).

On a quarterly basis, the first quarter of 2013 reported an operating margin down 14.4% on the fourth quarter of 2012, due to lower revenues (-6.4%) and the slight increase in operating costs (+1.2%). By contrast, income before tax from continuing operations and net income yielded a positive performance compared to the fourth quarter of the previous year, in which losses were posted owing to significant net adjustments to loans and other assets recognised during the period.
The Division's intermediated volumes decreased compared to the end of December 2012 (-1.6%) owing to the decrease in loans to customers (-1.5%) as well as amounts due to customers under direct deposits (-1.6%).

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,509 branches in 12 countries

South-Eastern Europe

In the first quarter of 2013, the operating income of the **Privredna Banka Zagreb Group** amounted to 99 million euro (-14% compared to the same period of the previous year), mainly due to the decrease in net interest income and profits on trading. Operating costs fell to 47 million euro (-5.9%), primarily attributable to other administrative expenses. The operating margin came to 52 million euro, down 20.2% on the first quarter of 2012. Income before tax from continuing operations, amounting to 35 million euro, showed a decrease of 27.5%. Lastly, net income came to 28 million euro (-26.5%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 36 million euro, stable compared to the first quarter of 2012. Operating income decreased by 3.1% due to the performance of net interest income and net fee and commission income. Operating costs fell by 7.4%, mainly as a result of the decrease in administrative expenses. Income before tax from continuing operations amounted to 23 million euro, compared to 22 million euro in the same period of the previous year (+5.3%), while net income stood at 20 million euro (+1.3%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first quarter of 2013 with an operating margin of 3 million euro, down by 3.1% on the same period of 2012. This performance was due to a slight decline in operating income (-0.9%), while operating costs remained essentially stable. Income before tax from continuing operations amounted to 1.5 million euro compared to 1.8 million euro in the first quarter of 2012 (-16.5%) due to increased adjustments to loans (+13.7%), and net income came to 1.3 million euro (-15.7%).

Intesa Sanpaolo Bank Albania reported an operating margin of 6.9 million euro, up 16.7% on the first quarter of 2012, due to an increase in revenues (+9.6%) and a decline in operating costs (-1.5%). Net income amounted to 3.1 million euro compared to 3.5 million euro in the same period of 2012 due to the increase in adjustments to loans.
The companies operating in Romania (**Intesa Sanpaolo Bank Romania** e ISP Leasing Romania) recorded a total operating margin of 4.9 million euro, up 46.2% on the same period of the previous year. This performance was due to an increase in operating income (+4.8%) attributable to greater fees and commissions and larger profits on trading, as well as a significant decrease in

operating costs (-10.9%) attributable to all expense components. The companies reported a net income of 1 million euro, compared to a net loss of 14 million euro in the first quarter of 2012, mainly due to lower adjustments to loans (-77.6%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 19 million euro, down 12.6% on the first quarter of 2012 due to the decline in all the main income components. Operating costs were down (-3.6%). Net income amounted to 2.3 million euro, essentially stable compared to the same period of the previous year.

The **VUB Banka** Group achieved an operating margin of 68 million euro, up 16.3% compared to the same period of 2012, due to an increase in operating income (+8.5%), mainly attributable to profits on trading and net interest income. Operating costs remained stable. Net income came to 35 million euro, up by 14.1% compared to the first quarter of the previous year, despite higher net adjustments to loans (+2.9%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties of the country, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The **CIB Bank** Group showed operating income of 59 million euro, down 16.2% on the first quarter of 2012. This performance was primarily attributable to the decrease in net interest income (-17.3%) and the lower contribution from profits on trading. Operating costs rose by 1.7% as a result of the increase in administrative expenses. Adjustments to loans decreased by 51.2%, while adjustments to other assets came to 15 million euro. Net income was negative at 65 million euro, compared to a net loss of 78 million euro posted in the first quarter of 2012.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported net income of 2.7 million euro, compared to 7.8 million euro in the first quarter of 2012 (-65.4%). Operating income decreased (-11.8%) due to the decline in net interest income (-16.3%), which absorbed the growth in profits on trading (+65.4%). Operating costs increased (+4.8%). Net adjustments to loans amounted to 4.7 million euro, up compared to the first quarter of 2012 (+55.1%).

The operating margin of **Pravex Bank** in the first quarter of 2013 was a negative 2.4 million euro, down compared to -0.6 million euro in the same period of 2012, mainly due to a decrease in operating income (-18.9%) across all main components. Operating costs decreased by 4.2% compared to the first quarter of 2012 due to savings on administrative expenses and personnel expenses. After net adjustments to loans of 7.8 million euro (compared to 8.1 million euro in the first quarter of 2012), Pravex Bank reported a net loss of 10 million euro, compared to net loss of 8.9 million euro in the same period of the previous year.

Bank of Alexandria reported an operating margin of 35 million euro, down by 4.8% compared to the first quarter of 2012. Operating income, amounting to 70 million euro, remained stable due to the positive performance of net fee and commission income (+13.6%) and profits on trading (+11.5%), which more than offset the decline in net interest income (-2.3%) and other income components. Operating costs reported an increase (+5.1%), specifically attributable to personnel expenses as a result of rises linked to the renewal of the company labour agreement. Following net adjustments to loans of 9.2 million euro, down by 10.3% on the first quarter of 2012, net income amounted to 18 million euro, essentially stable compared to the same period of 2012.

Other companies

In the first quarter of 2013, the operating income of **ISP Card** amounted to 8.4 million euro (+4.2% compared to the same period of the previous year), primarily as a result of the increase in net fee and commission income (+5.3%). Operating costs showed a decrease in administrative expenses, coming to 8.2 million euro (-0.9%). The net income was 0.2 million euro, compared to a net loss of 0.3 million euro posted in the first quarter of 2012.

Eurizon Capital

(millions of euro)

Income statement	31.03.2013	31.03.2012	Changes	
			amount	%
Net interest income	-	-	-	-
Dividends and profits (losses) on investments carried at equity	4	3	1	33.3
Net fee and commission income	69	60	9	15.0
Profits (Losses) on trading	1	1	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	-	-	-
Operating income	**74**	**64**	**10**	**15.6**
Personnel expenses	-13	-13	-	-
Other administrative expenses	-13	-17	-4	-23.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-26**	**-30**	**-4**	**-13.3**
Operating margin	**48**	**34**	**14**	**41.2**
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**48**	**34**	**14**	**41.2**
Taxes on income from continuing operations	-10	-7	3	42.9
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-9	-9	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-1	-1	-	-
Net income (loss)	**28**	**17**	**11**	**64.7**

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Assets under management	149,484	145,382	4,102	2.8

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

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

Overall, total assets managed by Eurizon Capital as at the end of March 2013 came to 149.5 billion euro (net of duplications), up by 2.8% from the beginning of the year as a result of net inflows and, to a lesser extent, positive financial market performance. In the first quarter of 2013, net inflows came to 3.3 billion euro, driven by the strong performance of Italian mutual funds, Luxembourg mutual funds, captive insurance products managed under mandate and retail portfolio management schemes. Eurizon Capital's share of assets under management was 14.4% as at 31 March 2013 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), stable compared to the beginning of the year.
Operating income came to 74 million euro in the first quarter of 2013, up by 15.6% compared to the same period of the previous year, benefiting from the positive performance of net fee and commission income (+15%), primarily driven by the trend in average assets under management, which considerably exceeded the level for the first three months of 2012, as well as by the better product mix, which yielded significant inflows to higher-margin products. Operating costs fell (-13.3%), thanks to cost

containment measures, specifically concerning outsourcing and external advisory services costs. As a result of the above revenue and cost trends, the operating margin came to 48 million euro, up 41.2% compared to the same period of 2012. Eurizon Capital closed the first quarter of 2013 with a net income of 28 million euro (+64.7%).
On a quarterly basis, the first quarter of 2013 showed a decrease of 30.5% in income before tax from continuing operations compared to the fourth quarter of 2012, mainly due to a drop in operating income and, significantly, in net fee and commission income (-32.4%). Net income showed a similar performance, down by 30.3% on the previous quarter.

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

As regards Italian mutual funds, a new "Eurizon Cedola Attiva" line of products was launched in the first quarter of 2013, and placement began for a new fund from the "Eurizon Cedola Doc" line, fixed-term bond funds that pay coupons.
Placement of "Eurizon Strategia Protetta I Trimestre 2013" (formerly "Eurizon Focus Garantito III Trimestre 2007" and a product incorporating "Eurizon Focus Garantito IV Trimestre 2007") was re-opened in March.

With regard to international mutual funds, as part of the joint venture Epsilon SGR established between Eurizon Capital and Banca IMI, placement of the range of capital protected products continued within the "Investment Solution by Epsilon" umbrella fund to be managed by Epsilon SGR. In further detail, new windows were opened for the families of the sub-funds "Valore Cedola x 5".
Within the umbrella fund "Eurizon Easy Fund" the sub-fund "Equity Emerging Markets New Frontiers LTE", specialised in new emerging markets, was activated, whereas within the umbrella fund "Eurizon Opportunità" placement of the "Obbligazioni Flessibile" sub-fund was launched.

Banca Fideuram

(millions of euro)

Income statement	31.03.2013	31.03.2012	Changes	
			amount	%
Net interest income	28	41	-13	-31.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	144	138	6	4.3
Profits (Losses) on trading	5	11	-6	-54.5
Income from insurance business	18	41	-23	-56.1
Other operating income (expenses)	-	-	-	-
Operating income	**195**	**231**	**-36**	**-15.6**
Personnel expenses	-34	-35	-1	-2.9
Other administrative expenses	-44	-46	-2	-4.3
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-81**	**-84**	**-3**	**-3.6**
Operating margin	**114**	**147**	**-33**	**-22.4**
Net provisions for risks and charges	-16	-27	-11	-40.7
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-3	-10	-7	-70.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**95**	**110**	**-15**	**-13.6**
Taxes on income from continuing operations	-16	-29	-13	-44.8
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-22	-22	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**57**	**59**	**-2**	**-3.4**

(millions of euro)

	31.03.2013	31.12.2012	Changes	
			amount	%
Assets under management	62,032	59,157	2,875	4.9
Direct deposits from banking business	7,381	6,672	709	10.6
Direct deposits from insurance business and technical reserves	15,686	14,169	1,517	10.7

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

Assets under management and assets under administration of the Banca Fideuram Group at the end of March 2013 amounted to 81.1 billion euro (of which 62 billion euro in assets under management and 19.1 billion euro in assets under administration), up 2.3% since the beginning of the year. This trend is attributable to the strong performance of the asset market and, to a lesser extent, to net inflows for the period. In detail, assets under management, which represent more than three quarters of the aggregate, were up 4.9% compared to the balance at the end of 2012, thanks to the positive trend in life insurance and mutual funds. Conversely, assets under administration showed a decrease on the volume as at 31 December 2012 (-5.2%). Within an economic scenario characterised by persistent weakness of the real economy, in the first quarter of 2013 the Banca Fideuram Group's distribution networks achieved net inflows of 645 million euro, marking an improvement of 376 million euro compared to the first three months of the previous year. The breakdown by aggregate shows an excellent performance by the asset management segment, which presented net inflows of 1.8 billion euro (compared to 51 million euro in the same period of 2012), primarily owing to the effect of new inflows to mutual funds and insurance products. Net outflows of assets under administration came to 1.2 billion euro, compared to net inflows of 218 million euro in the same period of the previous year.
Direct deposits from banking business amounted to 7,381 million euro, up by 10.6% from the beginning of the year, primarily as a result of the increase in the deposits in a current account of ordinary customers.
Direct deposits from insurance business, amounting to 15,686 million euro, also increased (+10.7%), attributable to the trend in financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.
The number of private bankers rose from 5,082 at the end of 2012 to 5,120 as at 31 March 2013.
The operating margin for the first quarter of 2013 stood at 114 million euro, down by 22.4% compared to the same period of the previous year, driven by the decline in operating income (-15.6%) and the fall in operating costs (-3.6%).
The performance of revenues is essentially attributable to the decrease in income from insurance business attributable to the insurance company Fideuram Vita, which posted a significant decrease, from 41 million euro to 18 million euro. This result was penalised by the unrealised capital losses recognised during the quarter, compared to the higher capital gains posted in the first

three months of 2012 in relation to the recovery of the quotations of government bonds during the period. Among other income components, there were decreases in net interest income (-31.7%), as a result of interest rates at all-time lows and the lesser flexibility of the cost of funding, and profits (losses) on trading (-54.5%). By contrast, net fee and commission income increased (+4.3%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, increased compared to the first three months of 2012 owing to the growth of average assets under management. Conversely, front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents 8% of net fee and commission income, decreased due to the lower volumes attributable to bond placement. Performance fees, almost fully recognised on an annual basis, amounted to 1.8 million euro and were attributable to the positive performance of the funds underlying the unit-linked policies placed by the group with respect to the benchmark of reference. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives to the network of private bankers for positive results achieved in the period in terms of net new assets under management and to new commercial initiatives to support growth. Provisions for risks and charges decreased by 40.7% due to the lesser contractual indemnities to private bankers and the discontinuation of a network retention plan at the end of 2012. Income before tax from continuing operations amounted to 95 million euro, down by 13.6%, benefiting from the reduction in adjustments to other assets (-70%).
Lastly, following the attribution of the effects of purchase price allocation on the income statement (22 million euro), Banca Fideuram closed the first quarter of 2013 with net income of 57 million euro, down compared to the first three months of the previous year (-3.4%).

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 5,120 private bankers

Development of new products in the first quarter of 2013 was aimed at enhancing the offering in line with the background environment and the specific needs of customers, by leveraging the Group's internal expertise, on one hand, and consolidating partnerships with third-party asset managers, on the other hand. This activity involved both the asset management and the banking segments.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 352 million euro in the first quarter of 2013, compared to operating income of 301 million euro for the same period of the previous year. This performance was primarily due to the marked deterioration in net interest income, partly owing to the increased cost of holding liquidity, correlated chiefly to lower money-market returns, as well as in profits (losses) on trading. In the first three months of 2012, this latter item had benefited from capital gains attributable to the repurchase of own securities. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 424 million euro, compared to a net income of 38 million euro reported in the same period of the previous year.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the first quarter of 2013, Intesa Sanpaolo slightly increased its market share in payments on the Eurosystem's Target2 platform. The internal work plan was drawn up for developing the strategies and operational implementations and technologies for participating in Target2 Securities, the Eurosystem's new securities settlement platform, the business model for which was completed in late April, whereas the architectural/IT model and operational model are expected to be completed in late June. Intesa Sanpaolo should be operational on the new settlement system by June 2015. In other developments regarding collateralised markets, work continued on developing the architecture and major regulatory and operational requirements for the X-COM system, Monte Titoli's new triparty repo platform, which should see the light in early 2014, and for which the Bank is playing a leading role in the working group.

In the first quarter of 2013, the money market was characterised by a positive start in January 2013; conversely, the opening of a phase of fragile political equilibrium in the Euro Area's periphery (scandals in Spain and electoral campaign in Italy) and the first signs of difficulty in the Cypriot economy marked the launch of a period of doubt that continued until late February. The uncertainty resulting from the electoral results in Italy had a strong effect on markets in March. On money markets, expectations of a normalisation of the scenario, owing in part to the significant repayment of the ECB's first extraordinary three-year transaction in late January (278 banks repaid 137 billion euro of the total 468 billion euro from the first auction), were followed by a much more prudent approach. Intesa Sanpaolo was able to safeguard its liquidity position by implementing careful pricing policies for its short-term funding instruments and persevering in its policy of rebalancing its funding/lending gap at the domestic and international level. After having effectively capitalised on the relaxed conditions experienced in January (with the consolidation of the levels of institutional and corporate wholesale funding), Intesa Sanpaolo then protected the results it had achieved in the second part of the quarter through conservative, pro-active policies, partly in light of the challenging domestic competitive scenario in the funding arena.

The uncertainties relating to the results of the political elections and formation of the new Italian government were reflected in the securities portfolio, held for liquidity purposes, suggesting prudent, dynamic management of investments, partly with the aim of responding to the repercussions on Italian government security yields. The sale of the longer and potentially riskier positions (realising the latent gains) was therefore more than offset by the purchases of one and two-year paper, with the aim of guaranteeing the investment of available liquidity while also maximising the impact on the income statement.
The covered bond portfolio was also managed according to a prudent approach, by shortening the durations of Italian securities through the sale of those with longer maturities.
In addition, the primary market was exploited to increase positions in the securities of core countries in a general climate of narrowing spreads.

Operating ACM and Structured Operations

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structure under the supervision of the Risk Management Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined by the Group internally. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.
In the area of operating ACM and credit portfolio management, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". In the first three months of 2013, there was an increase in allocated assets of approximately 350 million euro. At the end of March 2013, the gross outstanding amount lodged as pledge by the Group was about 8.6 billion euro.

Funding

As regards medium-/long-term funding, in the domestic market, the total issues of Group securities placed in 2013 through its own and third-party networks amounted to 2.9 billion euro in the first quarter of 2013. Among placed securities, there was a prevalence of plain vanilla securities (54.5%), while the weight of structured bonds (mainly structured interest rate securities tied to indices) amounted to 45.5%. A breakdown by average maturity shows a concentration of 3- and 6-year maturities (with a weight of 54.9%), whilst 45.1% is represented by securities with maturities of 2, 4 and 5 years. On international markets, a total of approximately 3.4 billion euro in unsecured institutional funding transactions were closed in the first quarter of 2013. In particular, in January the Group placed a senior transaction in USD amounting to 3.5 billion dollars (equivalent to 2.7 billion euro) on the U.S. market through a double tranche of 3- and 5-year bonds, as well as a 2.5-year transaction in euro amounting to 750 million euro, intended primarily for German and Austrian investors.

In structured funding, during the quarter a 3.375% fixed-rate security was issued for 1 billion euro, set to mature in 12 years (14th series issued under the issuance programme guaranteed by ISP CB Ipotecario backed by mortgage loans), listed on the Luxembourg Stock Exchange, which received an A2 rating from Moody's.

Risk management

BASIC PRINCIPLES

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

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.
The credit risk situation differs by portfolio:

- for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo [4] and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective from reporting as at 31 December 2011). The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010.
  With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasing and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective from June 2010, extended to the former Casse del Centro network banks effective from the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012;
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report, extending to a scope that includes the Parent Company, network banks and Mediocredito Italiano.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.
In April 2013 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

[4] The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo S.p.A. and Leasint S.p.A. was completed in December 2012.

As regards developments in the set of regulations known as "Basel 3", the main changes regard the level and quality of capital of the Banks, introduction of the leverage ratio (ratio of Core Tier I and Total Assets, including off balance sheet adjusted for the actual derivatives exposure), changes in the valuation of counterparty risk and the introduction of two new regulatory liquidity indicators (Liquidity Coverage Ratio and Net Stable Funding Ratio).
In preparing to adopt the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

CREDIT RISK

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

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

Credit quality

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

(millions of euro)

	31.03.2013			31.12.2012			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	29,355	-17,797	11,558	28,362	-17,160	11,202	356
Substandard loans	15,420	-3,277	12,143	14,480	-2,985	11,495	648
Restructured loans	3,605	-716	2,889	3,587	-724	2,863	26
Past due loans	2,684	-302	2,382	3,244	-332	2,912	-530
Non-performing loans	**51,064**	**-22,092**	**28,972**	**49,673**	**-21,201**	**28,472**	**500**
Performing loans	328,922	-2,524	326,398	333,989	-2,550	331,439	-5,041
Performing loans represented by securities	16,562	-371	16,191	17,108	-394	16,714	-523
Loans to customers	**396,548**	**-24,987**	**371,561**	**400,770**	**-24,145**	**376,625**	**-5,064**

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

The table above shows an increase for the first quarter of 2013 of non-performing loans, net of adjustments, by 500 million euro (+1.8%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 7.6% to 7.8%. Coverage of non-performing loans came to approximately 43.3%, higher than the level at the end of 2012 (42.7%), but nevertheless deemed adequate to account for expected losses, also considering the guarantees securing the positions.
In particular, as at 31 March 2013, doubtful loans net of adjustments, reached 11.6 billion euro, up 3.2% since the start of the year. The impact on total loans was 3.1%, with a coverage ratio of 60.6%.
Compared to 31 December 2012, substandard loans increased 5.6% to 12,143 million euro. Substandard loans as a proportion of total loans to customers increased from 3.1% to 3.3% in the first three months of the year, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 21.3%, slightly above the figure at the end of the previous year.
Restructured loans stood at 2,889 million euro, essentially unchanged compared to the beginning of the year (-0.9%), with a coverage ratio of 19.9% in line with the 20.2% of the previous year.

Past due loans recorded a decrease of 530 million euro (-18.2%) to 2,382 million euro from 2,912 million euro for the previous year. As a consequence, the percentage of this type of non-performing loans fell to 0.6% from 0.8% at the end of December. The coverage ratio rose to 11.3% from the previous figure of 10.2%.
Performing exposures decreased, from 331.4 billion euro in the previous year to 326.4 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is unchanged compared to the figure recorded at the end of 2012.

MARKET RISKS

TRADING BOOK

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

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 2% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were local government bonds and positions in interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
It should be noted that, effective the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.
The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

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

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

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.
In the first quarter of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the fourth quarter of 2012. The average VaR for the period totalled 73.2 million euro.

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

(millions of euro)

	2013			2012			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	14.1	11.5	18.1	16.8	19.6	24.6	24.1
Banca IMI	59.0	46.0	74.2	65.7	49.5	55.3	72.9
Total	**73.2**	**60.2**	**88.5**	**82.5**	**69.1**	**79.9**	**97.0**

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

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

(millions of euro)

	2013			2012		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Intesa Sanpaolo	14.1	11.5	18.1	24.1	23.2	25.3
Banca IMI	59.0	46.0	74.2	72.9	56.7	92.1
Total	**73.2**	**60.2**	**88.5**	**97.0**	**80.3**	**115.4**

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

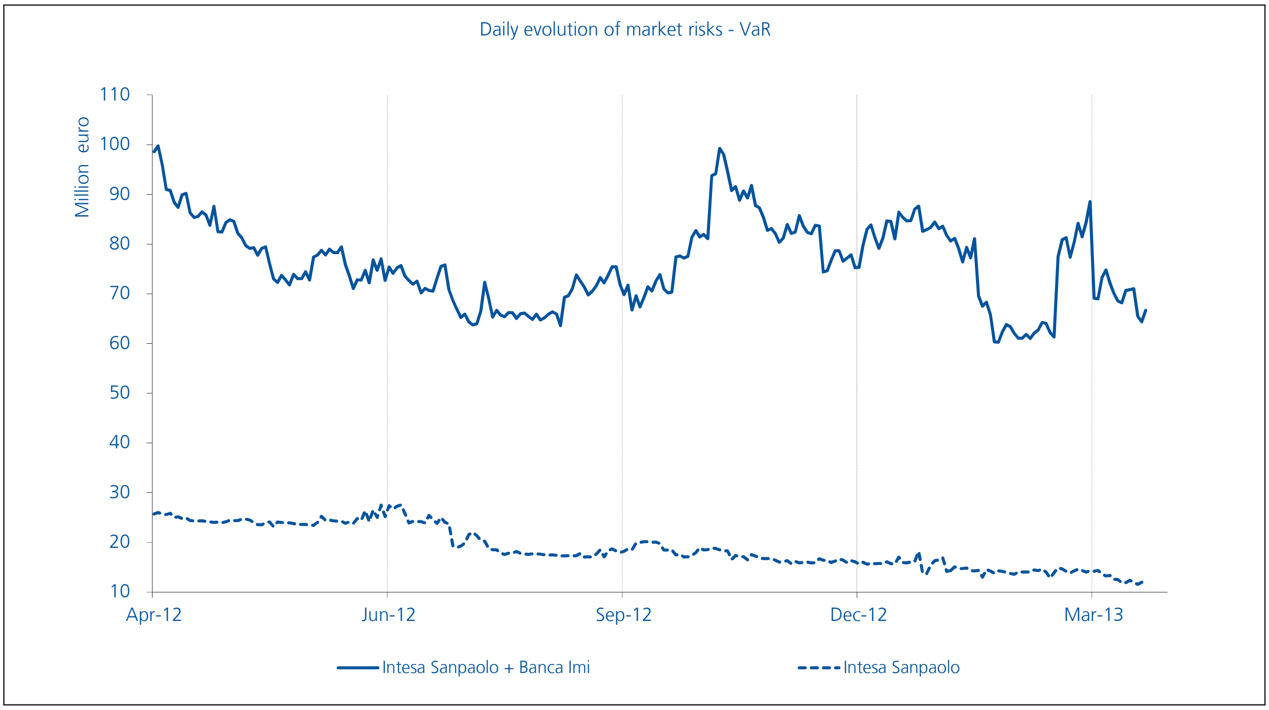
For Intesa Sanpaolo, the breakdown of risk profile in the first quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 35% of total VaR; for Banca IMI, credit spread risk was the most significant, representing 73% of total VaR.

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

1st quarter 2013	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	8%	35%	17%	35%	4%	1%	0%
Banca IMI	7%	0%	10%	73%	1%	6%	3%
Total	**7%**	**8%**	**12%**	**65%**	**1%**	**5%**	**2%**

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

VaR in the last twelve months is set out below. In the first quarter of 2013 the trend was due to two events concerning the Italian government spread scenarios. In particular, at the end of February the VaR peaked as a result of the volatility recorded in the post-elections scenario, whilst in March the scenarios of April 2012 exited from the spread causing the VaR to drop.



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

- on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 4 million euro gain; the opposite scenario would have led to a flat result;
- on interest rate exposures, a parallel +70 basis point shift (average) would have led to a 19 million euro loss, whereas a parallel shift in the euro curve with near zero rates would have led to potential gains (the interest rate scenarios were reviewed in the light of the Risk Appetite Framework 2013);
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 99 million euro loss, 3 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 100 million euro gain;
- on foreign exchange exposures, the portfolio would have recorded a 9 million euro loss if the Euro were to appreciate against the US dollar (-10%);
- lastly, on commodity exposures a 38 million euro loss would have been recorded in the event of a 50% increase in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	0	4	-19	103	100	-99	12	-9	30	-38
of which SCP					*3*	*-3*				

Backtesting

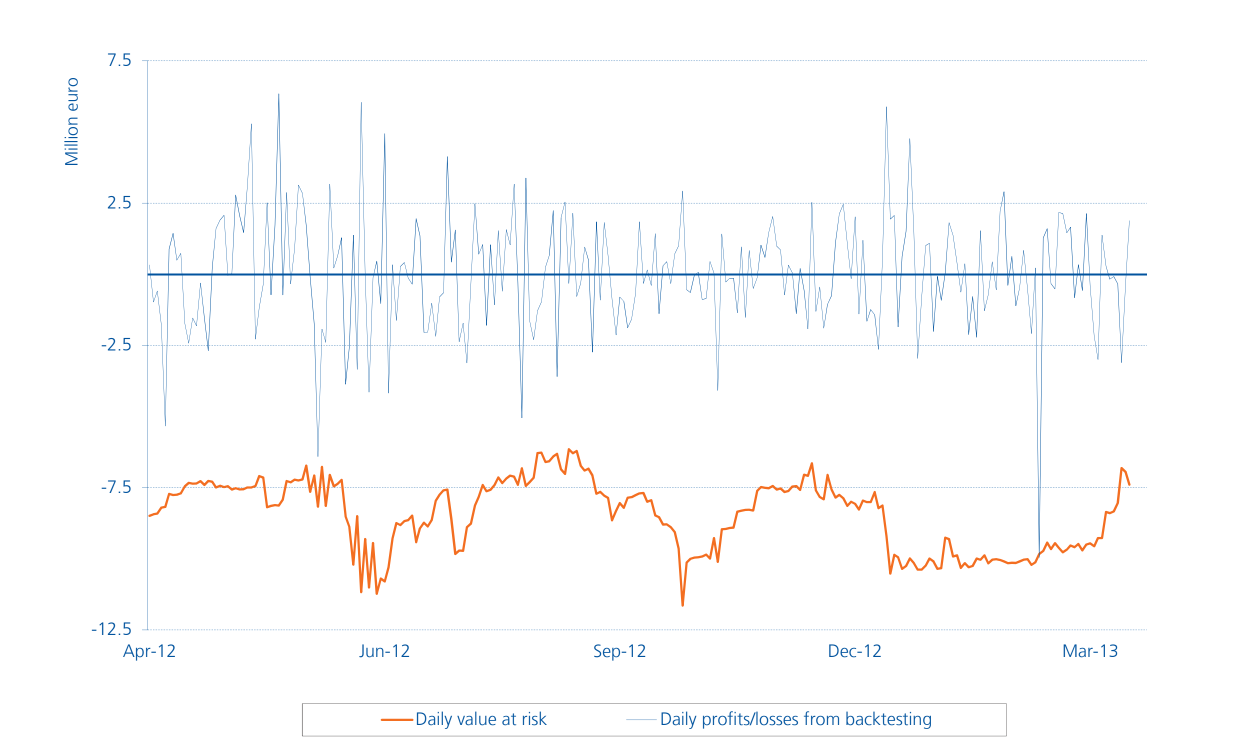
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

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

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

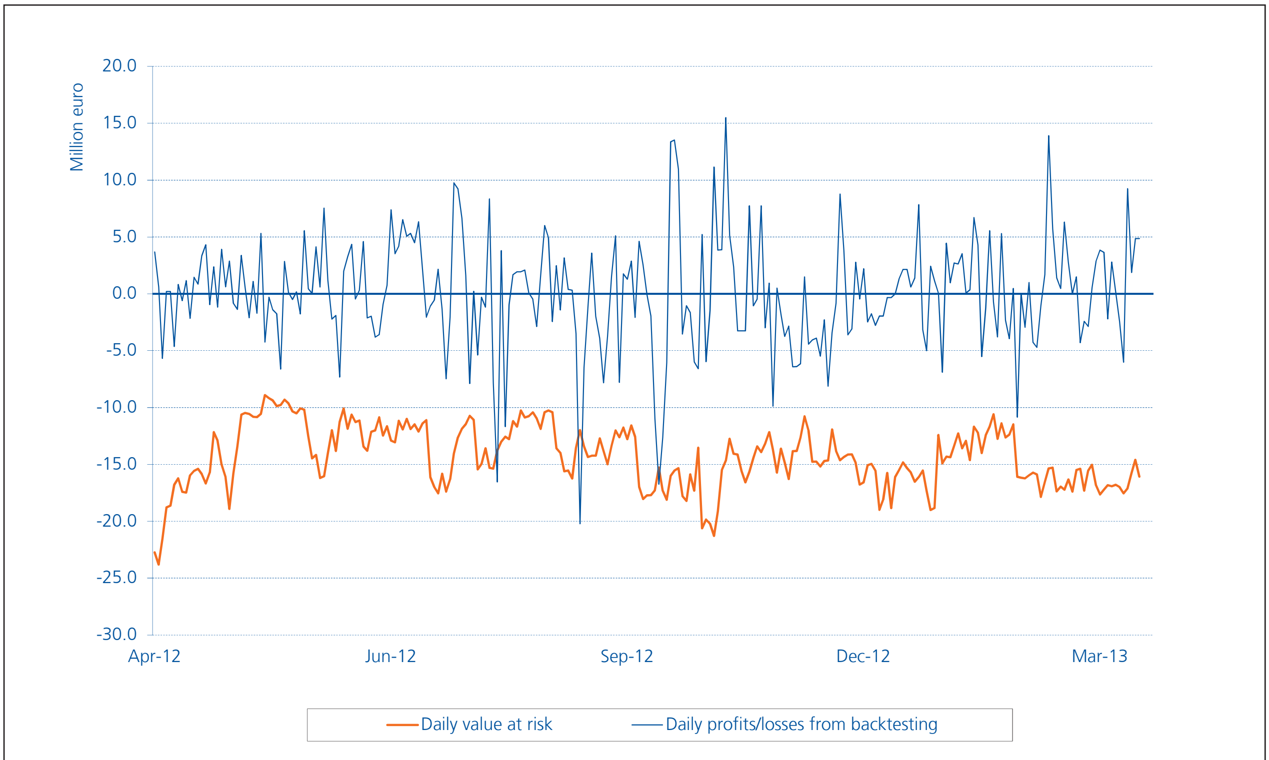
Backtesting in Intesa Sanpaolo

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



Backtesting in Banca IMI

Banca IMI three backtesting exceptions refer to the actual P&L data and are related to the period of high volatility that characterised markets in the last year.



BANKING BOOK

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

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

In the first three months of 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 33 million euro settling at 4 million euro at the end of March, almost entirely concentrated on the euro currency; this figure compares with 386 million euro (17 million euro net of the aforementioned methodology updates) at the end of 2012.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 395 million euro at the end of March 2013 (270 million euro at the end of 2012).
Interest rate risk, measured in terms of VaR, averaged 28 million euro during the first three months of 2013 (17 million euro at the end of 2012, net of the aforementioned methodology updates), with a maximum value of 29 million euro and a minimum value of 27 million euro. At the end of March 2013 VaR totalled 29 million euro. Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 77 million euro in the first nine months of 2012 (81 million euro at the end of 2012), with a maximum value of 81 million euro and a minimum value of 75 million euro, confirmed in the final figures at the end of March.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to -50 million euro at the end of March 2013.

LIQUIDITY RISK

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

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

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

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

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits on maturities' transformations aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
The Guidelines also call for the periodic estimate of the liquidity position in an acute combined stress scenario (both firm specific and market related), with the definition of a target threshold for the 3-month stressed short-term gap, aiming at establishing an overall level of reserves suitable to face greater cash outflows during a period of time (3 months) adequate to take the required operating measures to restore the Group to balanced conditions. The acute stress scenario is determined by combining:
– a "firm-specific" stress scenario, relating to a liquidity crisis specific to the Bank, reflected in an accelerated withdrawal of funds by deposit-holders, a significant reduction in the realised value of assets due to the need for immediate liquidation of assets not eligible for refinancing through repurchase agreements, the activation of downgrade triggers and the need to repurchase own debt securities or honour extra-contractual obligations in order to attenuate reputational risk;
– a "market-related" stress scenario, representing a general market crisis extending to both the financial and industrial sectors, characterised by, for example: (i) failure to repay granted facilities to corporate customers; (ii) a sudden increase in uses of lines of credit and guarantees; and (iii) a significant increase in market volatility, with negative effects on the value of reserves or potential future exposure associated with positions in derivatives, resulting in larger haircuts and the need for additional guarantees.

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

In the first three months of 2013, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators.
The regulatory indicators envisaged by Basel 3 have also already been satisfied (LCR and NSFR > 100%), and have further improved following the regulatory revision of early January 2013. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.

As at 31 March 2013, the Central Banks eligible liquidity reserves came to 120 billion euro (115 billion euro at the end of December 2012), of which 84 billion euro, net of haircut, was unencumbered (67 billion euro at the end of December 2012).

INFORMATION ON FINANCIAL PRODUCTS

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

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. As already illustrated in the criteria for the preparation of the Interim statement, the application of IFRS 13 governing fair value measurement and related disclosure became mandatory from 1 January 2013.
The new standard does not extend the scope of application of fair value measurement. The aim, in fact, was to "concentrate" into a single standard the rules for measurement at fair value previously contained in various standards, in some cases with prescriptions in conflict with one another.
The fair value is the price receivable for the sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion that is not entity-specific.
An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

When no quote on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

- reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (level 2);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the valuator (level 3).

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

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

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

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

- high and/or complex risk profile;
- position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

For additional details on the Fair Value Policy and the fair value measurement criteria see the disclosure provided in the 2012 Annual Report.

With regard to the above, note that IFRS 13 has not introduced concepts that are inconsistent with current practices. The main new development is represented by the clarification introduced in reference to non-performance risk in determining the fair value of OTC derivatives. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
In order to comply with the new standard, a new calculation model was developed – the Bilateral Credit Value Adjustment (bCVA)

– which in addition to the effects of changes in the counterparty credit rating (the first subject of the credit risk adjustment methodology) also takes fully into account the changes in own credit rating (Debt Value Adjustment - DVA) and identifies a series of refinements to the previous methodology. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA):

– the CVA (negative) takes into account scenarios whereby the Counterparty fails before the Bank and the Bank has a positive exposure to the Counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative;
– the DVA (positive) takes into account scenarios whereby the Bank fails before the Counterparty and has a negative exposure to the Counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties.

Fair value hierarchy

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

(millions of euro)

Financial assets / liabilities at fair value	31.03.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	13,200	47,532	824	12,143	50,579	824
2. Financial assets designated at fair value through profit or loss	32,068	4,249	430	31,944	4,537	406
3. Financial assets available for sale	90,136	4,236	2,658	89,445	5,264	2,500
4. Hedging derivatives	-	10,382	2	-	11,649	2
Total	**135,404**	**66,399**	**3,914**	**133,532**	**72,029**	**3,732**
1. Financial liabilities held for trading	5,027	44,110	599	5,335	46,200	660
2. Financial liabilities designated at fair value through profit or loss	-	28,130	-	-	27,047	-
3. Hedging derivatives	-	10,076	17	-	10,756	19
Total	**5,027**	**82,316**	**616**	**5,335**	**84,003**	**679**

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

As shown in the table, level 3 instruments, which represent greater discretion in fair value measurement, still account for a limited percentage (around 2%) of the financial instruments portfolio. As regards the values, compared to the 2012 Annual Report there has been a slight decrease in financial liabilities held for trading, essentially attributable to the decrease in negative fair value of the derivatives and an increase in financial assets associated with the rise in assets available for sale.
Approximately 66% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

The sensitivity analysis of level 3 financial assets and liabilities shows a 1 million euro[5] decrease in fair value due to complex credit derivatives, when the following parameters change:

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

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

STRUCTURED CREDIT PRODUCTS

Also during the first three months of 2013 the portfolio management strategy continued to focus on gradually reducing exposure. In particular, it should be noted the Group's withdrawal both from risk positions classified as part of the trading book and from those classified as part of the loan portfolio.
The first quarter of 2013 yielded a positive contribution to profit, up compared to the previous year, of 28 million euro (+5 million euro as at 31 March 2012), of which 2 million euro derived from realised profits and 26 million euro from revaluation. This result is compared with 96 million euro as at 31 December 2012.

The risk exposure to structured credit products amounted to 2,083 million euro as at 31 March 2013 with respect to funded and unfunded ABSs/CDOs, compared to 2,247 million euro as at 31 December 2012, in addition to an exposure of 3 million euro with respect to structured packages (unchanged compared to the figure as at 31 December 2012). The reduction in the exposure during the first three months of 2013 was related to the termination of two CDO funded structures included within the "Contagion Area" with a TruPS risk exposure of 54 million euro and the partial termination of an unfunded Super Senior CDO position recorded under "Other structured credit products". These decreases were partially offset by the increase in risk exposure in European/US ABS/CDOs held by Banca IMI. With regard to the exposure in securities classified under the loan portfolio, however, this type of instrument also recorded a significant decrease, almost all of which attributable to the Parent Company loan portfolio.

As at 31 March 2013, the creditworthiness of around 3.8% outstanding positions was downgraded. This figure should be compared with the trend recorded last year. In 2012 credit rating downgrades affected around 42% of outstanding positions, with a strongly accentuated trend in the first quarter of 2012 (+26%) and more contained trend in the second, third and fourth quarters of 2012 (+3.5%, +8.9% and +4.2%, respectively).
The situation of the structured credit product portfolio at the end of March 2013 is described by the following indicators:
- 65% of exposure was Investment Grade, in line with the figure as at 31 December 2012;
- 12% had an AAA rating and 36% had an AA rating;
- 35% had a BBB rating or less, in line with the figure as at 31 December 2012;
- approximately 5% of the exposure has a pre-2005 vintage;
- 28% has a 2005 vintage;
- only 6% of exposure related to the US Residential segment, and 80% to the European segment.

In terms of underlying contract types, slightly less than half the exposure consisted of RMBSs (45%); the remainder consisted of CLOs (20%), CDOs (17%) and ABSs (12%); there were also CMBSs representing 6% of the total.
As concerns valuation methods, of "long" positions, approximately 33% are measured using the mark-to-model (100% of unfunded positions, 28% of funded positions, 100% of the monoline risk and the non-monoline packages), 57% with the comparable approach (61% of funded positions) and 10% are measured using effective market quotes (11% of funded positions). "Short" positions, made up entirely of CMBX and CDS hedges, are all measured using effective market quotes.

In the summary tables provided below, table (a) sets out risk exposure and income statement captions (sum of realised charges and profits, write-downs and write-backs) as at 31 March 2013, compared with the corresponding values recorded as at 31 December 2012.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2012 were translated to euro at an exchange rate of 1.3194 euro per dollar, and as at 31 March 2013 at an exchange rate of 1.2805 euro per dollar.

Structured credit products: summary tables
a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	**31.03.2013**		**31.12.2012**	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**9**	**-**	**9**	**-3**
Contagion area	**-18**	**1**	**33**	**65**
- Multisector CDOs [(1)]	-18	1	-21	18
- Alt-A	-	-	-	-
- TruPS	-	-	54	47
- Prime CMOs	-	-	-	-
Other structured credit products	**883**	**26**	**844**	**44**
- European/US ABS/CDOs	763	8	716	31
- Unfunded super senior CDOs	120	18	128	16
- Other unfunded positions	-	-	-	-3
Total	**874**	**27**	**886**	**106**
in addition to:				
Positions of funds	-	-	-	11
Total Financial assets held for trading	**874**	**27**	**886**	**117**

(millions of euro)

Loans	**31.03.2013**		**31.12.2012**	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**2**	**-**	**3**	**-**
Contagion area	**38**	**-**	**43**	**1**
- Multisector CDOs	4	-	8	1
- Alt-A	23	-	23	-
- TruPS	-	-	-	-
- Prime CMOs	11	-	12	-
Other structured credit products	**1,169**	**-2**	**1,315**	**-1**
- Funded European/US ABS/CDOs	931	-4	1,017	-8
- Funded super senior CDOs	238	2	298	7
- Other Romulus funded securities	-	-	-	-
Total	**1,209**	**-2**	**1,361**	**-**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,209**	**-2**	**1,361**	**-**
TOTAL	**2,083**	**25**	**2,247**	**117**

(1) The short position of the Multisector CDO segment was generated as a result of the closing of almost all the risk positions which had been included from the beginning, and the maintenance of derivatives on indices for the operational hedging of said positions. More specifically, these comprise 12 million euro in risk exposure hedged by 30 million euro in "short" operational positions.

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

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

b) Exposure in packages

(millions of euro)

	31.03.2013		31.12.2012	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	-	3	-	-21
Non monoline packages	3	-	3	-
TOTAL	**3**	**3**	**3**	**-21**

From an income statement perspective, structured credit products generated a net income of +28 million euro as at 31 March 2013 compared to +96 million euro for 2012.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 30 million euro. The profit on this segment was a result of the effects of:

- unfunded Super Senior CDO positions included in "Other structured credit products" for +18 million euro, of which -5 million euro deriving from realised losses and 26 million euro from revaluation;
- European and US funded ABSs/CDOs (+8 million euro), entirely attributable to the subsidiary Banca IMI and including +3 million euro attributable to profits realised on the partial disposal of the trading book and +5 million from revaluation;
- instruments included in the "Contagion Area" (+1 million euro) and particularly in the Multisector CDO segment.

The securities reclassified to the loan portfolio had an overall negative impact on the income statement of 2 million euro as at 31 March 2013. This result is the combination of the 4 million euro in profits realised on the sale of positions and 6 million euro in impairment losses.
As at 31 March 2013 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as "PIGS"). In particular, these consist of:

- 187 million euro in nominal value of securities issued by parties resident in Spain; as at 31 March 2013 these securities had a book value of 173 million euro and a fair value of 139 million euro;
- 55 million euro in nominal value of securities issued by parties resident in Portugal; as at 31 March 2013 these securities had a book value of 50 million euro and a fair value of 41 million euro;
- 8 million euro in nominal value of securities issued by parties resident in Greece; as at 31 March 2013 these securities had a book value of 5 million euro and a fair value of 3 million euro;
- 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 31 March 2013 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The "Monoline risk" and "Non-monoline packages" made a positive contribution of 3 million euro as at 31 March 2013, up compared to the -21 million euro recorded at the end of 2012. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 31 March 2013, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Fair value as at 31.03.2013**	**Benefit from the reclassification as at 31.03.2013**	**Effect on Shareholders' Equity**
Reclassified securities:					
- from financial assets available for sale to loans	184	142	76		66
- from financial assets held for trading to loans	996	887	756	131	
Total Securities reclassified to loans	**1,180**	**1,029**	**832**	**131**	**66**
Securities classified under loans on initial recognition	181	180			
Total securities classified under loans on initial recogni	**181**	**180**			
TOTAL LOANS	**1,361**	**1,209**	**832**	**131**	**66**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Negative economic effect without reclassification for 2011	-25
Positive economic effect without reclassification for 2012	67
Positive economic effect without reclassification for 1st quarter 2013	16
BENEFIT FROM THE RECLASSIFICATION AS AT 31.03.2013	**-131**

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,013 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 31 March 2013, there were no signs of impairment of the collateral of the structured products in question.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company. The change in Italian law which enables the Parent Company Intesa Sanpaolo to directly issue hybrid notes eliminated the funding activities carried out through these methods. Moreover, the difficulty in achieving significant funding volumes persists due to an unsuitable short-term rating.
There were no changes in the investments in this type of SPE compared to 31 December 2012.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies. The latter retain the majority of the risks and rewards of the companies in question and, accordingly, are consolidated pursuant to IAS 27/SIC 12.
Compared to 31 December 2012, the first quarter of 2013 saw a decrease in net assets held by this type of entity to around 17 billion euro, of which 6.5 billion euro relative to funds managed by Fideuram Gestions. The corresponding figure as at 31 December 2012 was 22 billion euro (of which approximately 7 billion euro relative to funds managed by Fideuram Gestions).

Securitisation SPEs

These are SPEs that enable an entity to transfer assets from its balance sheet assets, transforming them in securities which can be placed on the market. The crisis which began in 2007 caused a sharp slowdown in this type of transactions, which were replaced by structures used for raising funds through securitisations of a portion of assets owned by the transferor. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market (traditional securitisations) or purchased in full by the issuer (self-securitisations). In the first case, the funds raised in this way are reversed to the transferor, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold. This category also includes SPEs used by Intesa Sanpaolo to implement the covered bond issue programme.
SPEs of this type, which are included in the scope of consolidation as at 31 March 2013, are the same reported in the financial statements as at 31 December 2012. The securitised assets of this type of vehicle are represented by performing mortgages, non-performing mortgages and performing loans deriving from lease contracts. For the Augusto, Colombo and Diocleziano vehicles the assets were made up of land financing or receivables for public works.
As at 31 March 2013 the Intesa Sanpaolo Group has three self-securitisation transactions outstanding, implemented through the vehicles Adriano Lease SEC S.r.l., Sanvitale 1 and Sanvitale 2 for which there were no significant events compared to those already reported in the 2012 financial statements.
As regards the Covered Bond issue programme, in the first quarter of 2013, as part of the programme secured by ISP CB Ipotecario S.r.l., Intesa Sanpaolo arranged an issue for 1 billion euro targeting professional investors and international financial intermediaries. This was a 12-year fixed-rated CB, listed on the Luxembourg Stock Exchange, which was assigned an A2 rating by Moody's.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through their special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
As at 31 March 2013 the vehicle Lunar Funding was the only vehicle of its kind included in the scope of consolidation.

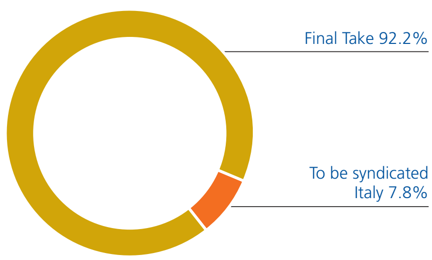
Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the financial statements as at 31 December 2012. For the Asset Backed SPEs in which the Group has the majority of voting rights, held by just one international subsidiary, total assets amounted to 10 million euro (63 million euro in December 2012).
For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

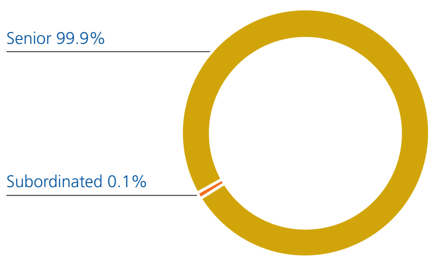
LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 March 2013, 120 transactions for a total amount granted of 3,919 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

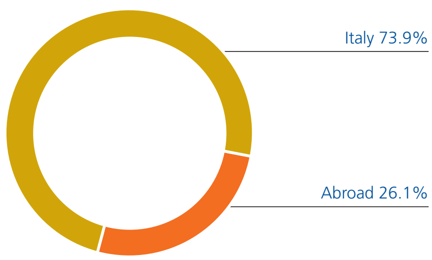
Breakdown by type of risk



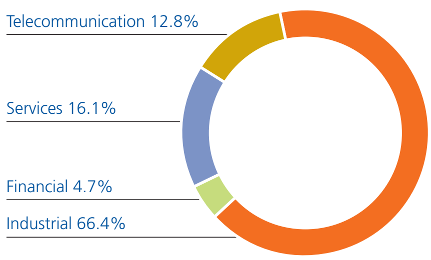
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 31 March 2013 totalled 719 million euro, compared to the 696 million euro recorded in December 2012. The positive difference is associated with the assessment effect on outstanding positions and with the revaluation of positions expressed in foreign currencies.
As at the same date, there was an overall profit of 21 million euro, compared to 43 million euro recorded at the end of the first quarter of 2012.
The 21 million euro of net profit, recognised as at 31 March 2013 under "Profits (Losses) on trading – caption 80", included:

– 19 million euro from net valuations of positions outstanding as at the end of March 2013;
– 2 million euro of profits on foreign exchange transactions.

Net write-ups on the final residual amount (19 million euro) were spread across 37 positions, 28 of which with capital gains (24 million euro) and 9 with capital losses (-5 million euro).
The portfolio's overall strategy remained geared towards benefiting from the occurrence of specific corporate events, which are generally independent from the general trend, thus avoiding the spikes in volatility that also characterised the first quarter of 2013.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 31 March 2013, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 6,997 million euro (7,134 million euro as at 31 December 2012). The notional value of such derivatives totalled 57,241 million euro (55,685 million euro as at 31 December 2012). Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 4,474 million euro (4,563 million euro as at 31 December 2012).
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,015 million euro as at 31 March 2013 (1,054 million euro as at 31 December 2012). The notional value of such derivatives totalled 22,310 million euro (15,701 million euro as at 31 December 2012).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty, which following the introduction of IFRS 13 is determined using a new calculation model (Credit Value Adjustment) for a partial set of companies. For companies not yet adopting the new model, the counterparty credit quality was determined using the Credit Risk Adjustment model.
With regard to contracts outstanding as at 31 March 2013, this led to a positive effect of 2 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the means of calculation of the Credit Risk Adjustment and Credit/Debt Value Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.

OPERATIONAL RISK

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

- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo. The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo and Leasint was completed in December 2012.

In December 2012, an application was submitted to the Bank of Italy for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding). The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement approaches starting from the end of 2013, based on the roll-out plan presented to the Management and Supervisory Authorities.

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

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

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

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

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

Operational risks are monitored by an integrated reporting system, which provides management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.

In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements yet. The internal model insurance mitigation component was submitted for regulatory approval through a specific application to the Bank of Italy in December 2012.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 2,059 million euro as at 31 March 2013, essentially unchanged compared to 31 December 2012 as a result of the migration to the TSA approach by the subsidiary Banca Monte Parma.

Legal risks

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
During the first three months of 2013, no new significant legal procedures were commenced that could lead to significant risks and there were no important developments with respect to those underway. Reference should therefore be made to the Notes to the 2012 Financial Statements for a detailed description of litigation regarding anatocism, investment services and other significant proceedings and litigation.

With regard to new legal procedures, note only that in January 2013 – before the Milan Court of Appeal – Alberto Tambelli summarised a judgment of the Court of Cassation, claiming compensation for damages in terms of lost earnings for a total of approximately 110 million euro. The proceedings originate from futures transactions performed in 1994 with the Milan branch of the former Banca Popolare dell'Adriatico (now Banca dell'Adriatico) resulting in a capital loss for Mr. Tambelli. On termination of both levels of proceedings brought against the Bank, Mr. Tambelli obtained reimbursement of the damages suffered but both the Ordinary Court and the Milan Court of Appeal denied compensation for other damages associated with loss of earnings which, in Mr. Tambelli's opinion, could have been achieved in the period in which he was deprived of availability of the sums lost in the aforementioned financial transactions. The Court of Appeal judgment was challenged by both parties before the Court of Cassation, which by decision dated 1 October 2012 rejected the Bank's appeal, thereby finalising the order to compensate damages resulting from the loss of capital invested (which had in any event already been paid to Mr. Tambelli in 2004) and, vice versa, accepted Mr. Tambelli's claim, considering that – unlike the decision of the Milan Court of Appeal – the further claims for compensation for loss of earnings were not time-barred and their merits could therefore be assessed in new proceedings before a different bench by the Milan court.
As a result of the corporate affairs affecting Banca Popolare dell'Adriatico, the new proceedings were brought against Intesa Sanpaolo, as universal successor to Banca dell'Adriatico, and also against the latter as specific successor of the former bank.
As this initiative is believed to be without foundation it was not considered necessary to allocate provisions.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2012 consolidated financial statements (Part E) to which reference should be made.
In the first quarter of 2013 no new Intesa Sanpaolo tax audits and no new outcomes were notified in relation to pending litigation.
With regard to the other Group companies, two rulings were issued, both of which negative, respectively by the Provincial Tax Committee in relation to 2006 and by the Florence Regional Tax Committee, which overturned the positive result of the first instance proceedings for 2004 and 2005 regarding the question of real estate leaseback transactions performed by Centro Leasing Banca, a report of which was provided in the Notes to the 2010 Consolidated Financial Statements, and expressing illegitimacy of the related claims which remains confirmed. Naturally, an appeal will be filed against the first of these rulings, and recourse to the Court of Cassation in the other.

INSURANCE RISKS

Life business

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

Non-life business

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

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk on a 1-month holding period.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita and Bentos Assicurazioni) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 31 March 2013, the investment portfolios of Group companies, recorded at book value, amounted to 82,175 million euro. Of these, the part of 47,831 million euro relates to traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 34,344 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 94.1% of assets, i.e. approximately 45,354 million euro, were bonds, whereas assets subject to equity risk represented 1.2% of the total and amounted to 566 million euro. The remainder (2,252 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.7%).
The carrying value of derivatives came to approximately -341 million euro, almost entirely relating to hedging derivatives with effective management derivatives[6] only amounting to around -36 million euro.

At the end of the first three months of 2013, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,560 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 107 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.1 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 4.1 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,179 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 121 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 4.8% of total investments and A bonds approximately 5.7%. Low investment grade securities (BBB) were approximately 81.1% of the total and the portion of speculative grade or unrated was minimal (approximately 2.5%).
A considerable portion of the BBB area is made up of securities issued by the Republic of Italy.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 70.8% of the total investments, while financial companies (mostly banks) contributed almost 18.8% of exposure and industrial securities made up approximately 4.6%.

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

At the end of the first quarter of 2013, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,349 million euro, with 1,882 million euro due to government issuers and 467 million euro to corporate issuers (financial institutions and industrial companies).

ACCOUNTING POLICIES

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 31 March 2013" has been prepared, in consolidated form, in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The accounting principles adopted in preparation of the Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2012 – to which reference should be made for further details – with the exception of the effects resulting from the application of the revised versions of IAS 19 and IFRS 13, mandatory effective 1 January 2013.
Regulation 475/2012 endorsed the amendments to IAS 19 – Employee Benefits, as approved by the IASB on 16 June 2011, the aim of which is to facilitate the ease of understanding and comparability of financial statements, especially with regard to defined benefit plans. The most significant changes made pertain to the elimination of the different accounting treatments permitted for the recognition of defined benefit plans and the ensuing introduction of a single method that entails immediate recognition in the statement of comprehensive income of the actuarial gains/losses arising from the measurement of the obligation. Given the previous accounting approach adopted by the Group, the main effect consists of the elimination of the "corridor method", with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income, and thus in equity. The elimination of that method entailed an impact on the Group's shareholders' equity as at the date of initial application of the new Standard, inasmuch as actuarial gains or losses not previously recognised under the "corridor method" were recognised. The overall impact for the Group, as at 1 January 2013, entailed a reduction in equity valuation reserves of 293 million euro, net of the tax effect (403 million euro before taxes).
Regulation No 1255/2012 endorsed IFRS 13 – Fair Value Measurement. The new standard does not extend the scope of application of measurement at fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards. The rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another, were thus concentrated into a single principle. Although many of the concepts set forth in IFRS 13 are consistent with current practice, some aspects of the new Standard result in impacts on Intesa Sanpaolo Group companies, foremost among which is the effect due to the clarification introduced regarding the measurement of the non performance risk in determining the fair value of derivative contracts. This risk includes both changes in the creditworthiness of the counterparty and of the issuer itself. In order to comply with the Standard, a new calculation method known as the "Bilateral Credit Value Adjustment" (bCVA) was developed at the Group level. The application of this new model in lieu of the previously adopted model did not entail economically significant effects.

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

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

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

With regard to discontinued operations, in the Interim statement as at 31 March 2013, only some real-estate units were classified separately under non-current assets held for sale and discontinued operations.

As customary, in the interest of a consistent basis of comparison, balance sheet and income statement figures for 2012 have been restated, where necessary, to account for the changes in the scope of consolidation.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated interim statement includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors dissimilar to that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
No significant changes have occurred with respect to the position as at 31 December 2012 in the scope of consolidation nor were concluded intragroup transactions of particular importance. The only development to be reported is the inclusion in the scope of line-by-line consolidation of Bentos Assicurazioni S.p.A., which had been consolidated according to the equity method in the 2012 financial statements.
As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2012 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 31 March 2013 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and always in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

Other information

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

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

The Management Board

Milan, 14 May 2013

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

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Ernesto Riva, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2013 corresponds to corporate records, books and accounts.

Milan, 14 May 2013

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

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Financial calendar

Approval of the half-yearly report as at 30 June 2013:	2 August 2013
Approval of results as at 30 September 2013:	13 November 2013

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

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

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

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