INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: RESULTS AS AT 30 SEPTEMBER 2008

- **Consolidated net income for the first nine months of 2008: +13.9% adjusted (3.8 billion euro stated, from 6.7 billion in first nine months of 2007).**
- **Operating income: +1.5% adjusted (14,273 million euro stated, -3.2% compared with 14,738 million in first nine months of 2007).**
- **Operating costs: -3.3% adjusted (7,266 million euro stated, +0.4% compared with 7,236 million in first nine months of 2007).**
- **Operating margin: +7.4% adjusted (7,007 million euro stated, -6.6% compared with 7,502 million in first nine months of 2007).**
- **Income before tax from continuing operations: +5.4% adjusted (5,706 million euro stated, -8.4% compared with 6,226 million in first nine months of 2007).**
- **Capital ratios as at 30 September 2008: Tier 1 ratio at 6.9% after the Management Board's proposal not to distribute cash dividends for 2008.**
- **Net risk exposure to structured credit products with underlying US subprime was 12 million euro as at 30 September 2008.**

Torino, Milano, 11 November 2008 – Today, Intesa Sanpaolo's Management Board, chaired by Enrico Salza, met and approved the consolidated interim statement as at 30 September 2008(1).

The Group results for the first nine months of 2008 highlighted a positive performance compared with the first nine months of 2007 on an adjusted basis which excludes the main non-recurring items and the negative impact on profits on trading triggered by the international financial market crisis which commenced in the second half of 2007.

Intesa Sanpaolo's **consolidated net income** for the first nine months of 2008 amounted to 3,778 million euro from 6,746 million for the first nine months of 2007. There **would be an increase of 13.9%** over the same period of 2007 excluding the main non-recurring items(2), profits on trading (329 million in the first nine months of 2008 and 1,125 million in the corresponding period of 2007 when trading operations had benefited in the first quarter from particularly favourable market environment) and related taxes.

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(1) Methodological note on the scope of consolidation at page 10.

(2) The main non-recurring items comprised: 1) 126 million euro from the IMI-SIR settlement registered under other operating income of the first nine months of 2008 and related taxes, 2) 277 million euro in recoveries on Employee Termination Indemnities (TFR) in the personnel expenses of the first nine months of 2007 and related taxes, 3) negative impact, in the first nine months of 2008, of 239 million relating to the 319 million exposure to Lehman (of which 6 million was included in profits/losses on trading, 195 million in net adjustments to loans and 38 million in net impairment losses on other assets) and 60 million relating to the 80 million exposure to Icelandic banks (of which one million was included in profits/losses on trading and 59 million in net adjustments to loans) and related taxes, 4) 268 million capital gain on the disposal of Agos and 189 million profits from the disposal of real estate assets contributed to IMMIT included in profits on investments held to maturity for the first nine months of 2008 and related taxes, 5) income after tax from discontinued operations (929 million euro for the first nine months of 2008, which included the capital gain on the disposal of 198 branches, and 3,786 million for the first nine months of 2007 comprising the capital gain made on the disposal of Cariparma, FriulAdria and 202 branches), 6) integration charges (664 million for the first nine months of 2008 and 724 million for the first nine months of 2007) and related tax savings (which resulted in net integration charges of 475 million for the first nine months of 2008 and 480 million for the first nine months of 2007) and 7) charges from purchase cost allocation, net of tax (437 million for the first nine months of 2008, which included a first estimate of charges relating to the acquisition of Carifirenze and Nextra Investment Management, and 409 million for the first nine months of 2007).

The priorities that Intesa Sanpaolo has concentrated on in recent months have been **the reinforcing of the solidity of the Group and the sustainability of its revenues**:
- **Intesa Sanpaolo is today one of the most solid** international **banking groups** in terms of risk, liquidity, leverage and capital base profile;
- **the integration project has been further accelerated to bring forward synergies and efficiencies**;
- **in the first nine months of 2008, Intesa Sanpaolo has delivered a solid operating performance** despite the unprecedented market conditions and the impact of some negative non-recurring items.

Intesa Sanpaolo is one of the most solid international banking groups

Intesa Sanpaolo is one of the most solid international banking groups in terms of risk, liquidity, leverage and capital base profile:
- **low risk profile**:
  - 83% of revenues derive from retail activity,
  - limited and well-diversified exposure to Central-Eastern Europe; total net shareholders' equity in that area represents approximately 8% of the consolidated shareholders' equity and in no country does it exceed 2% of the Group's net shareholders' equity,
  - net doubtful loans/net loans is stable at 0.9%;
  - total provisions and net adjustments/operating margin is only 25%, approximately half the average ratio of the main European banking groups;
- **excellent liquidity**:
  - positive net interbank position of 11 billion euro,
  - broad availability of Eligible Assets with Central Banks, not yet allocated, corresponding to a liquidity of approximately 32 billion euro at the end of October. A plan is under way to enlarge this liquidity by a further 16 billion by year end and an additional 6 billion in 2009,
  - loans to customers lower than direct customer deposits, with a ratio of 0.93,
  - stable and well-diversified sources of funding,
  - 70% of direct customer deposits (inclusive of securities issued) generated from retail,
- **contained leverage and adequate capital base**:
  - much lower leverage than the other main European banking groups,
  - tangible net shareholders'equity/tangible assets is one of the best among main European banking groups.

For its risk, liquidity and leverage profile, Intesa Sanpaolo's level of capital base indicated by the Business Plan for 2009 (6% Core Tier 1 ratio under Basel 1) should be adequate. However, the gravity of the financial crisis has caused the market to request all banks to have higher capital ratios.

The capital management actions already planned and the benefits expected from Basel 2 Advanced could lead to a further significant strengthening of the capital base but, as envisaged in the Plan, they will be finalised in the course of 2009.

Therefore, in order to avoid the perception that the Intesa Sanpaolo Group could be inadequately capitalised, **the Bank has decided to rapidly strengthen its capital ratios**. In light of this, **the Management Board will propose not to proceed with the distribution of cash dividends for 2008 when submitting the proposal for the allocation of net income**. The Business Plan dividend target for 2009 will be examined when next year's income statement and balance sheet performance starts to emerge.

Capital ratios as at 30 September 2008 have then been calculated assuming that no cash dividends are distributed for 2008 and, using the Basel 2 standardised approach, resulted in: Core Tier 1 ratio at 6.2% (5.9% at 31 December 2007 under Basel 1 regulations), Tier 1 ratio at 6.9% (6.5% at year-end 2007) and total capital ratio at 10% (9% at year-end 2007).

Taking into account that **further bolstering** of capital ratios is expected to derive from:

- the application of Basel 2 advanced, with a potential benefit - subject to the Bank of Italy's approval - ranging from 0.4% to 0.7% for Core Tier 1 ratio, from 0.5% to 0.8% for Tier 1 ratio and from 0.7% to 1.2% for total capital ratio,
- capital management actions on non-core assets of a total book value in the region of 8 billion euro, with a potential release of approximately 4 billion currently deducted from Core Tier 1 and a related benefit between 0.9% and 1.1%,

pro-forma capital ratios could result in: Core Tier 1 ratio ranging from 7.5% to 8%, Tier 1 ratio from 8.3% to 8.8% and total capital ratio from 11.6% to 12.3%.

Other significant benefits might come from initiatives aimed at bolstering the capital base across the banking system - with non-dilutive effects to shareholders - carried out by the Italian Government as well as possibly from the 42.26% stake held in the Bank of Italy.

Capital management actions include the disposal of real estate assets contributed to IMMIT, the effects of which were booked in the third quarter of 2008, the ongoing disposals of the leasing business relating to the networks of Cariparma and FriulAdria, 13 branches in the La Spezia province, the 73.57% stake held by the subsidiary Carifirenze in CR Orvieto and 4 branches in the Pistoia province. The overall positive contribution generated by those disposals to net income and capital ratios is estimated at approximately 200 million euro and 10 basis points respectively.

Further acceleration of the integration project to bring forward synergies and efficiencies

The migration of IT systems was completed over the summer involving in the first nine months of the year approximately 670,000 man/day effort, including more than 150,000 for network staff. The completion of this process allows the realisation of Intesa Sanpaolo's high-growth potential based on its sound relationship with the existing customer base and ability to attract new customers (in the first nine months, 136,000 new customers on a net basis were acquired in Italy, despite the ongoing migration process).

As part of growth-related investments, network commercial staff will increase by approximately 3,700 people in the fourth quarter of 2008 and in 2009, as envisaged in the Plan. Moreover, 1,800 apprentices are to be recruited (over and above the full replacement of staff exits) in execution of Trade Union agreements of which approximately 650 are already in service. Staff abroad increased by approximately 1,400 people and 109 branches were opened from September 2007.

Despite growth-related investments, Intesa Sanpaolo recorded a cost reduction ahead of the Plan target and has one of the best cost/income ratios among the international banking groups. Excellent cost reduction was achieved driven by only 45% of merger synergies: as at 30 September 2008, 680 million cumulative synergies were realised, and 250 million additional synergies (inclusive of Carifirenze) are under realisation, against the Plan target of 1,245 million cost synergies by 2009. Only 200 million of total integration charges are left which will be recorded across the fourth quarter of 2008 and in 2009.

In the first nine months of 2008, the Intesa Sanpaolo Group delivered a solid operating performance

(% changes compared with the first nine months of 2007)	**Adjusted results** (excluding main non-recurring items and profits/losses on trading)	**Stated results** (including main non-recurring items and profits/losses on trading)
Operating income	**1.5**	-3.2
Operating costs	**-3.3**	0.4
Operating margin	**7.4**	-6.6
Income (Loss) before tax from continuing operations	**5.4**	-8.4
Net income	**13.9**	-44.0

The consolidated income statement for the first nine months of 2008 (3) registered **operating income** of 14,273 million euro, down 3.2% from 14,738 million in the first nine months of 2007, up 1.5% excluding profits on trading and the 126 million income from the IMI-SIR settlement in the first nine months of 2008.

As part of this, **net interest income** for the first nine months of 2008, rose to 8,790 million, up 12.6% compared with the 7,807 million in the first nine months of 2007.

Net fee and commission income, 4,598 million euro, registered an 8.7% decrease on the 5,038 million in the first nine months of 2007. Commissions on commercial banking activities decreased to 1,526 million (down 1.8%), due to the decline in collection and payment services and current accounts (the latter impacted by the higher placement of low-cost products) only partially offset by the increase in guarantees given and credit and debit cards. Commissions on management, dealing and consultancy activities (which include portfolio management, distribution of insurance products, placement of securities, etc.) declined to 2,361 million euro (down 14.1%) on account of negative market performance and customer risk aversion.

Profits on trading amounted to 329 million euro, recording negative effects of the financial market crisis on structured credit products by 236 million euro due to write-downs, 6 million relating to the exposure to Lehman and 1 million to the Icelandic bank exposure. The figure was 1,125 million euro in the first nine months of 2007 (the trading result for the first quarter of 2007 had benefited from a particularly favourable market environment). If the IAS reclassification of the financial assets held for trading into loans and receivables and financial assets available for sale had not been made, profits/losses on trading would have recorded a negative pre-tax impact of 141 million, of which 107 due to structured credit products.

Income from insurance business amounted to 229 million euro, compared with the 409 million in the first nine months of 2007.

Operating costs amounted to 7,266 million euro with a 0.4% increase with respect to the 7,236 million in the first nine months of 2007, as a result of personnel expenses up 2%, administrative expenses down 0.2% and adjustments down 7.6%. Operating costs and personnel expenses were reduced by 3.3% and 4.3% respectively excluding 277 million euro of recoveries on Employee Termination Indemnities (TFR) from the figures of the first nine months of 2007.

Consequently, **operating margin** totalled 7,007 million euro and was down 6.6% as compared with the 7,502 million in the first nine months of 2007, with the cost/income ratio moving from 49.1% in the first nine months of 2007 to 50.9% in the first nine months of 2008. Excluding profits on trading, the income from the IMI-SIR settlement in 2008 and TFR recoveries in 2007, operating margin increased by 7.4% with an improvement in the cost/income ratio from 55.2% in the first nine months of 2007 to 52.6% in the first nine months of 2008.

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(3) During the preparation of the interim statement as at 30 September 2008, certain amendments to international accounting standards have been introduced in the wake of the global financial crisis and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare circumstances - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the fair value through profit and loss category into the available-for-sale category or the held-to-maturity category or the loans and receivables category and out of the available-for-sale category into the loans and receivable category. The Group, essentially basing on the prices as at 1 July 2008, reclassified financial assets held for trading of 4,072 million into loans and receivables and of 125 million into financial assets available for sale. If this reclassification had not been made, the 2008 third quarter profits/losses on trading would have recorded a negative pre-tax impact of 141 million. The Group also reclassified financial assets available for sale of 6,156 million into loans and receivables; had this reclassification not been made, a negative pre-tax impact of 212 million would have been recorded in the shareholders' equity as at 30 September 2008. In addition, a negative pre-tax impact of 9 million would have been booked in net interest income for the 2008 third quarter had these reclassifications not been made.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) totalled 1,775 million euro - compared with the 1,320 million for the first nine months of 2007 - of which 233 million due to the exposure to Lehman and 59 million to the exposure to Icelandic banks. Profits/losses on investments held to maturity and on other investments amounted to 474 million euro, which would be 17 million excluding the capital gain made on the disposal of Agos (268 million) and profits from the disposal of real estate assets contributed to IMMIT (189 million), compared with the 44 million for the first nine months of 2007.

Income before tax from continuing operations posted 5,706 million euro, down 8.4% compared with the 6,226 million of the first nine months of 2007, though up 5.4% excluding profits on trading, the IMI-SIR income in 2008, TFR recoveries in 2007, Lehman and Iceland adjustments in 2008 and Agos and IMMIT capital gains in 2008.

Consolidated net income amounted to 3,778 million euro, compared with the 6,746 million for the first nine months of 2007 (which had benefited from net capital gains on disposals of approximately 3,575 million compared with less than half that figure generated in the first nine months of 2008) after accounting for:
- taxes of 1,806 million;
- income after tax from discontinued operations of 929 million, mainly made up of the net capital gain on the disposal of 198 branches to Banca Carige, Gruppo Credito Valtellinese, Veneto Banca, Banca Popolare Alto Adige and Banca Popolare di Bari;
- integration charges (net of tax) of 475 million including charges of approximately 320 million (net of tax) relating to staff exit in execution of agreements with Trade Unions;
- charges from purchase cost allocation (net of tax) of 437 million, which included a first estimate of charges relating to the acquisition of Carifirenze and Nextra Investment Management;
- a minority interest of 139 million.

The income statement for the third quarter of 2008

The consolidated income statement for the third quarter of 2008 registered **operating income** of 4,633 million euro, down 3.9% with respect to the third quarter of 2007 and down 6.5% against the second quarter of 2008. Operating income was up 0.7% on the third quarter of 2007 and down 2.1% with respect to the second quarter of 2008 excluding profits on trading and the income from the IMI-SIR settlement (67 million registered in the second quarter of 2008 and 59 million in the third quarter of 2008).

As part of this, in the third quarter of 2008, **net interest income** rose to 3,046 million, up 15.6% on the corresponding period of 2007 and up 4.8% on the second quarter of 2008.

Net fee and commission income totalled 1,405 million euro, a 14% decrease with respect to the third quarter of 2007 and a 10.1% decline versus the second quarter of 2008. In comparison with the same period of 2007, commissions on commercial banking activities were down 6% as a result of the decrease in collection and payment services and current accounts which was only partially offset by the increase in guarantees given, credit and debit cards. Commissions on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, placement of securities, etc.) were down 23.5%. In comparison with the second quarter of 2008, commissions on commercial banking activities were down 2.2% and commissions on management, dealing and consultancy activities down 14%.

Profits on trading, 41 million euro, registered the negative effects of the financial market crisis on structured credit products of 33 million, 6 million relating to the exposure to Lehman and 1 million to the Icelandic bank exposure. Profits on trading were 321 million in the third quarter of 2007 and 261 million in the second quarter of 2008 (when the negative effects of the financial market crisis on structured credit products amounted to approximately 80 million). If the IAS reclassification of the financial assets held for trading into loans and receivables and financial assets available for sale had not been made, profits/losses on trading would have recorded a negative pre-tax impact of 141 million, of which 107 due to structured credit products.

Income from insurance business totalled 43 million euro from 109 million in the third quarter of 2007 and 107 million in the second quarter of 2008.

Operating costs totalled 2,407 million euro, down 3.8% with respect to the same period of 2007 due to a decrease in personnel expenses (down 5.8%) and adjustments (down 7.8%) and an increase in administrative expenses (+1.1%). With respect to the second quarter of 2008, operating costs were down 1.6% due to a decrease in personnel expenses (down 2.7%) and administrative expenses (down 0.7%) and a rise in adjustments (up 2.6%).

Consequently, **operating margin** totalled 2,226 million euro, down 4.1% with respect to the third quarter of 2007 and down 11.3% on the second quarter of 2008. The variation was up 6.4% and down 2.6% respectively, excluding profits on trading and the IMI-SIR income.

Net provisions and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) totalled 971 million euro - compared with the 385 million euro in the corresponding period of 2007 and the 450 million in the second quarter of 2008 - of which 233 million was due to the Lehman exposure and 59 million to the Icelandic bank exposure. Profits on investments held to maturity and on other investments registered a positive balance of 177 million euro, a negative balance of 12 million excluding profits of 189 million from the disposal of real estate assets contributed to IMMIT, compared with the one million negative balance in the third quarter of 2007 and the 284 million positive balance in the second quarter of 2008 (which included the 268 million capital gain made on the disposal of Agos).

Income before tax from continuing operations was 1,432 million euro, down 26% with respect to the third quarter of 2007 and down 38.9% to the second quarter of 2008; down 11% and down 17.9% respectively excluding profits on trading, the IMI-SIR income of the second and third quarter of 2008, the Lehman and Iceland adjustments of the third quarter of 2008 and the Agos and IMMIT capital gains of the second and third quarter of 2008.

Consolidated net income amounted to 673 million euro, compared with 1,460 million for the third quarter of 2007 and 1,357 million for the second quarter of 2008 (which benefited from capital gains on disposals of approximately 708 and 262 million respectively compared with the 79 million capital gains made in the third quarter of 2008) after accounting for:
- taxes of 491 million;
- loss after tax from discontinued operations of 4 million;
- integration charges (net of tax) of 86 million;
- charges from purchase cost allocation (net of tax) of 151 million, which included a first estimate of charges relating to the acquisition of Carifirenze and Nextra Investment Management;
- a minority interest of 27 million.

Balance sheet as at 30 September 2008

As regards the consolidated balance sheet figures, as at 30 September 2008 **loans to customers** reached 386 billion euro, up 11.7% above the figure as at 30 September 2007 (up 9.3% excluding the reclassification in the third quarter of financial assets into loans and receivables and up 9.4% taking into account the average volumes instead of those at the end of period) and up 8.6% above the figure as at 31 December 2007 (up 6.3% excluding the reclassification in the third quarter of 2008 of financial assets into loans and receivables). Total **non-performing loans** (doubtful, substandard/restructured and past due by over 180 days) - net of adjustments - amounted to 10,243 million euro, up 22.9% with respect to the 8,333 million as at 31 December 2007. In detail, doubtful loans increased from 3,145 to 3,519 million euro, with an incidence of 0.9% on total loans (unchanged as at year-end 2007) and coverage of 71% (the same as at year-end 2007); substandard/restructured loans increased from 3,969 to 5,101 million euro and loans past due by over 180 days increased from 1,219 to 1,623 million euro.

Customer financial assets were 1,032 billion euro (after netting referring to components included in both direct and indirect customer deposits), down 1% with respect to 30 September 2007 and down 0.3% to 31 December 2007 due to the performance of indirect customer deposits. Under customer financial assets, direct customer deposits amounted to 433 billion, up 12.2% compared with 30 September 2007 and up 10.1% to 31 December 2007; indirect customer deposits reached 624 billion, down 8.9% with respect to 30 September 2007 and down 6.8% to year-end 2007. **Assets under management** totalled 236 billion euro, down 14.1% with respect to 30 September 2007 and down 12.8% on year-end 2007. As for bancassurance, in the first nine months of 2008, new business for life policies amounted to 5.9 billion euro. Assets under administration and in custody amounted to 388 billion euro, down 5.4% on 30 September 2007 and down 2.8% on 31 December 2007.

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As fully detailed when disclosing results for 2007 and for the first two quarters of the current year, Intesa Sanpaolo is only indirectly exposed to the US subprime mortgage crisis through structured credit products which were affected by the dramatic decline in prices during the fourth quarter of 2007 and the first nine months of 2008, with impact on profits on trading, mainly in terms of write-downs, as commented upon previously in the income statement section.

The Group had a **net risk exposure** to structured credit products with underlying **US subprime** of 12 million euro as at 30 September 2008, as a result of a “long” position of 33 million euro and “short” position of 21 million euro.

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As at 30 September 2008, the Intesa Sanpaolo Group’s **operating structure** had a total network of 8,476 branches - of which 6,518 are in Italy and 1,958 abroad – with 112,875 employees, 105 more than at 31 December 2007.

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<u>Breakdown of results by business area</u>

The **Banca dei Territori** Division comprises:

- the Retail Area, which serves households (individual customers with financial assets up to 75,000 euro), personal (individual customers with financial assets between 75,000 euro and one million euro), small businesses (enterprises with a turnover under 2.5 million euro and with loan facilities under one million euro);
- the SME Area, in charge of managing SMEs with a turnover between 2.5 and 150 million euro;
- the Private Banking Department, which serves individual customers with financial assets exceeding one million euro.

The operations summarised above are performed through Parent Company Intesa Sanpaolo and the network banks integrated in the IT system (Banco di Napoli, Cassa dei Risparmi di Forlì e della Romagna, Cassa di Risparmio del Veneto, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio del Friuli Venezia Giulia and Banca dell’Adriatico).
To serve non-profit entities Banca Prossima was set up, operational since November 2007 through the Group’s branches, with regional centres and a team of specialists.
This Division also includes:

- the regional banks for which the IT integration process is not yet underway (Carifirenze, Casse del Centro and Banca di Trento e Bolzano);
- the product companies specialised in industrial credit (Mediocredito Italiano and Banca CIS), leasing (Leasint) and consumer credit (Neos Banca).

This Division also includes the insurance companies EurizonVita, Sud Polo Vita, Intesa Vita and Intesa Previdenza, the fiduciary service companies SIREFID and Sanpaolo Fiduciaria, Setefi (the company specialised in management of electronic payment systems), and Si Holding which wholly owns CartaSi, the leading inter-bank company in the Italian credit card market.

In the first nine months of 2008, the Banca dei Territori Division registered operating income of 9,426 million euro, down 2% compared with the 9,619 million in the first nine months of 2007, accounting for 66% of consolidated operating income (65% in the same period of 2007). Operating costs registered a 3.8% reduction - from 4,998 to 4,807 million euro - and led to an operating margin of 4,619 million unchanged with respect to 4,621 million in the first nine months of 2007, with the cost/income ratio down from 52% to 51%. Net provisions and adjustments moved from 882 to 1,082 million euro. Income before tax from continuing operations amounted to 3,537 million euro with a 5.5% decrease with respect to the 3,743 million in the first nine months of 2007.

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

- the Corporate Relations Department, which manages relations with large and mid corporates (the latter with a turnover exceeding 150 million euro) in Italy, and develops activities in support of international trade;
- the International Network Department, which comprises foreign branches, representative offices and international subsidiaries specialised in corporate banking (Société Européenne de Banque, Intesa Sanpaolo Bank Ireland and ZAO Banca Intesa). This Department has the mission of developing and managing the foreign corporate segment as well as providing specialised assistance and support to Italian corporate internationalisation and export;
- the Financial Institutions Department, which is responsible for relations with Italian and foreign financial institutions, management of transactional services related to payment systems, custody and settlement of securities as custodian and correspondent bank;
- Banca IMI, in charge of carrying out investment banking activity, that is the creation of products of structured finance and M&A consultancy services to the Group's clients, and the capital markets activities for the Group's clients and institutional operators in market making activities;
- the Merchant Banking Department, which operates in the private equity area also through the Private Equity International (PEI) and IMI Investimenti companies.

This Division also comprises the activities of Mediofactoring and proprietary trading.

In the first nine months of 2008, operating income of the Corporate & Investment Banking Division totalled 1,808 million euro compared with the 2,219 million of the first half of 2007 (down 18.5%, up 12.3% excluding profits on trading) - accounting for 13% of consolidated operating income (the contribution was 15% in the same period of 2007). Operating costs, 681 million euro, were down 2.9 % with respect to the 701 million registered in the same period of 2007; operating margin amounted to 1,127 million euro, down 25.8% with respect to the 1,518 million in the corresponding period of 2007 with the cost/income ratio at 37.7% from 31.6% in the corresponding period for 2007. Excluding profits on trading, operating margin increased by 24.4% and the cost/income ratio dropped to 38.3% from 44.3% in the first nine months of 2007. Net provisions and adjustments doubled from 145 to 290 million euro due to provisions against Lehman and Icelandic banks. After profits on investments held to maturity and on other investments of 7 million euro, income before tax from continuing operations amounted to 842 million euro, down 38.6% with respect to the 1,371 million in the first nine months of 2007 but up 30.3% excluding the results of profits on trading and adjustments to Lehman and Icelandic banks.

The **Public Finance** business unit is responsible for customers in government, public entities, local authorities, public utilities, general contractors, public and private healthcare structures and developing activities related to lending and day-to-day banking operations, project financing, securitisations, financial advisory, with the aim of promoting cooperation between public and private entities and supporting initiatives and investment projects in big infrastructures, healthcare, research and in general public utilities. This business unit performs its activities through Banca Infrastrutture Innovazione e Sviluppo.

In the first nine months of 2008, operating income of the Public Finance business unit amounted to 239 million euro, up 9.1% compared with the 219 million in the same period of 2007, representing 2% of consolidated operating income (1% in the first nine months of 2007); excluding profits on trading, operating income recorded an increase of 25.8%. With operating costs of 67 million euro, down 4.3% from the 70 million in the first nine months of 2007, operating margin was 172 million euro, up 15.4% with respect to the 149 million in the first nine months of 2007 and the cost/income ratio decreased from 32% to 28%;

excluding profits on trading, operating margin grew by 42.7% with an improvement in the cost/income ratio from 36.1% to 27.5%. Net provisions and adjustments rose from 15 to 124 million euro due to provisions against Lehman. Income before tax from continuing operations was at 48 million euro, with a 64.2% drop compared with the 134 million of the same period of 2007; excluding profits on trading and adjustments to the Lehman exposure, this caption increased by 39.4%.

The **International Subsidiary Banks** Division is responsible for activities in foreign markets where the Group is operational through commercial banking subsidiaries and associates. The Division provides guidelines, coordination and support to subsidiaries abroad mainly active in retail banking; it is responsible for defining the Group's development strategy related to its direct presence abroad as well as exploring and analysing new growth opportunities in markets where the Group already has a presence, and in new markets. This Division also coordinates operations of international subsidiaries and their relations with the Parent Company's centralised functions and the Corporate & Investment Banking Division's branches and offices abroad. The Division is made up of the three following Departments which are in charge of the different geographical areas of the Group's international presence:

- the CEE & SEE Banking Area which includes the banking subsidiaries in Central-Eastern Europe, Banka Koper in Slovenia, VUB Banka in Slovakia, CIB Bank in Hungary, and in South-Eastern Europe, Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania and Intesa Sanpaolo Bank Romania;
- the CIS Banking Area, which includes the subsidiary KMB Bank in the Russian Federation and Pravex-Bank in Ukraine;
- the South Mediterranean & Asia Banking Area, in charge of developing, in particular, relations in the Mediterranean basin where the Group has a presence through Bank of Alexandria.

In the first nine months of 2008, operating income of the International Subsidiary Banks Division totalled 1,668 million euro with a 11.6% increase from the 1,494 million in the first nine months of 2007, accounting for 12% of consolidated operating income (10% in the same period of 2007). Excluding profits on trading, operating income increased 18.4%. Operating costs grew by 14.3% from 776 to 887 million euro due to the extension of the commercial network; as a result, operating margin rose by 8.8% from 718 to 781 million euro and the cost/income ratio increased from 51.9% to 53.2%. Excluding profits on trading, operating margin rose by 24.8% and the cost/income ratio improved from 60.9% to 58.7%. Net provisions and adjustments grew by 13.6% from 125 to 142 million euro; after profits on investments held to maturity and on other investments of 6 million, income before tax from continuing operations amounted to 645 million euro, with an 8% increase compared with the 597 million in the first nine months of 2007. Excluding profits on trading, this caption grew by 28.8%.

The **Eurizon Capital** business unit is the company specialised in providing collective and individual asset management products to the Group's banking networks and is also focused on strengthening its presence in the open market segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls the subsidiaries Eurizon Capital (Luxembourg) and Eurizon Alternative Investments which promote and manage, respectively, funds incorporated under Luxembourg law and alternative funds. The Intesa Sanpaolo Group also has a presence in the asset management sector in China where the Group owns a 49.9% stake in Penghua Fund Management, an asset management company.

The Eurizon Capital business unit registered operating income of 259 million euro, down 10.1% with respect to the 288 million euro in the first nine months of 2007, accounting for 2% of consolidated operating income (the same as in the first nine months of 2007). With operating costs of 113 million euro, down 11.7% on the 128 million of the same period of 2007, operating margin amounted to 146 million euro, down 8.8% on the 160 million of the first nine months of 2007, and the cost/income ratio decreased from 44.4% to 43.6%. After net provisions and adjustments of one million euro, income before tax from continuing operations amounted to 145 million euro, down 7.6% from the 157 million in the same period of 2007.

The **Banca Fideuram** business unit, through its network of private bankers, performs asset gathering activities serving customers with medium to high savings potential. This business unit posted operating income of 503 million euro, down 7.4% compared with the 543 million in the same period of 2007, accounting for 4% of consolidated operating income (the same as in the first nine months of 2007). With operating costs of 247 million euro, down 2.8% with respect to the 254 million of the first nine months of 2007, operating margin amounted to 256 million euro, down 11.4% with respect to the 289 million of the first nine months of 2007, and the cost/income ratio was at 49.1% from 46.8%. After net provisions and adjustments of 33 million euro, income before tax from continuing operations totalled 223 million euro, down 15.2% from the 263 million of the first nine months of 2007.

* * *

The cautious optimism which characterised comments to the half-yearly results must be replaced with a more conservative outlook for the 2008 financial statements. In September, and even more so in October, the financial market crisis has deteriorated dramatically with effects on the entire global financial systems the scope and breadth of which at present are difficult to quantify. However, operating margin performance should still be sustained by net interest income and continued strict controls on operating costs.

* * *

For consistency purposes, the income statement data for the four quarters of 2007 were restated following the change in the scope of full consolidation with respect to three groups of transactions:
1. acquisition of control of Carifirenze, which entered the scope of full consolidation in the first quarter of 2008 and was previously carried at equity for the approximately 18.6% of the share capital held by Intesa Sanpaolo. For 2007, the relevant components were consolidated line by line and approximately 81.4% of their contribution to net income was recorded in minority interests;
2. full integration of Nextra Investment Management in the scope of consolidation in the income statement of the first quarter of 2008. For 2007, the relevant components were consolidated line by line and 65% of their contribution to net income recorded in minority interests;
3. acquisition of control of Pravex-Bank, which entered the scope of full consolidation in the income statement of the third quarter of 2008. For 2007 - as well as for the first and second quarter of 2008 - the relevant components were consolidated line by line and their contribution to net income was recorded in minority interests;

Still for consistency purposes, the balance sheet data for the four quarters of 2007 were restated consolidating line by line the components relating to Carifirenze while the balance sheet data for the first three quarters of 2007 were restated consolidating line by line the components relating to Nextra Investment Management, the control of which had been acquired in December 2007. Moreover, the balance sheet data for the four quarters of 2007 and the first quarter of 2008 were restated consolidating line by line the components relating to Pravex-Bank, the control of which was acquired in June 2008.

* * *

In order to present more complete information regarding the results generated in the first nine months of 2008, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the statement approved by the Management Board are attached. Please note that these statements and the quarterly statement have not been reviewed by the Auditing company.

* * *

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

* * *

This press release contains certain forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.
The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

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

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

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Gruppo Intesa Sanpaolo

Reclassified consolidated statement of income

(in millions of euro)

	30.09.2008	30.09.2007 restated (*)	Changes amount	Changes %	30.09.2007
Net interest income	8,790	7,807	983	12.6	7,234
Dividends and profits (losses) on investments carried at equity	108	219	-111	-50.7	231
Net fee and commission income	4,598	5,038	-440	-8.7	4,667
Profits (Losses) on trading	329	1,125	-796	-70.8	1,072
Income from insurance business	229	409	-180	-44.0	357
Other operating income (expenses)	219	140	79	56.4	114
Operating income	**14,273**	**14,738**	**-465**	**-3.2**	**13,675**
Personnel expenses	-4,318	-4,235	83	2.0	-3,887
Other administrative expenses	-2,361	-2,366	-5	-0.2	-2,136
Adjustments to property, equipment and intangible assets	-587	-635	-48	-7.6	-599
Operating costs	**-7,266**	**-7,236**	**30**	**0.4**	**-6,622**
Operating margin	**7,007**	**7,502**	**-495**	**-6.6**	**7,053**
Goodwill impairment	-	-	-	-	-
Net provisions for risks and charges	-154	-280	-126	-45.0	-261
Net adjustments to loans	-1,570	-1,021	549	53.8	-921
Net impairment losses on other assets	-51	-19	32		-18
Profits (Losses) on investments held to maturity and on other investments	474	44	430		42
Income (Loss) before tax from continuing operations	**5,706**	**6,226**	**-520**	**-8.4**	**5,895**
Taxes on income from continuing operations	-1,806	-2,093	-287	-13.7	-1,945
Merger and restructuring related charges (net of tax)	-475	-480	-5	-1.0	-480
Effect of purchase cost allocation (net of tax)	-437	-409	28	6.8	-409
Income (Loss) after tax from discontinued operations	929	3,786	-2,857	-75.5	3,786
Minority interests	-139	-284	-145	-51.1	-101
Net income	**3,778**	**6,746**	**-2,968**	**-44.0**	**6,746**
Basic EPS - Euro	**0.30**	**0.53**			**0.53**
Diluted EPS - Euro	**0.30**	**0.53**			**0.53**

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

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

	2008			2007 restated (*)				
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	3,046	2,906	2,838	2,826	2,635	2,627	2,545	2,658
Dividends and profits (losses) on investments carried at equity	13	29	66	86	63	106	50	76
Net fee and commission income	1,405	1,563	1,630	1,634	1,634	1,697	1,707	1,668
Profits (Losses) on trading	41	261	27	-47	321	349	455	270
Income from insurance business	43	107	79	99	109	179	121	127
Other operating income (expenses)	85	91	43	31	60	26	54	43
Operating income	**4,633**	**4,957**	**4,683**	**4,629**	**4,822**	**4,984**	**4,932**	**4,842**
Personnel expenses	-1,408	-1,447	-1,463	-1,576	-1,495	-1,225	-1,515	-1,453
Other administrative expenses	-799	-805	-757	-975	-790	-798	-778	-835
Adjustments to property, equipment and intangible assets	-200	-195	-192	-247	-217	-215	-203	-221
Operating costs	**-2,407**	**-2,447**	**-2,412**	**-2,798**	**-2,502**	**-2,238**	**-2,496**	**-2,509**
Operating margin	**2,226**	**2,510**	**2,271**	**1,831**	**2,320**	**2,746**	**2,436**	**2,333**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-76	-45	-33	-270	-76	-107	-97	-138
Net adjustments to loans	-855	-402	-313	-490	-312	-359	-350	-378
Net impairment losses on other assets	-40	-3	-8	-52	3	-20	-2	-18
Profits (Losses) on investments held to maturity and on other investments	177	284	13	58	-1	8	37	26
Income (Loss) before tax from continuing operations	**1,432**	**2,344**	**1,930**	**1,077**	**1,934**	**2,268**	**2,024**	**1,826**
Taxes on income from continuing operations	-491	-704	-611	-789	-589	-779	-725	-721
Merger and restructuring related charges (net of tax)	-86	-68	-321	-125	-400	-66	-14	-151
Effect of purchase cost allocation (net of tax)	-151	-153	-133	399	-136	-137	-136	-3
Income (Loss) after tax from discontinued operations	-4	-21	954	-5	743	127	2,916	945
Minority interests	-27	-41	-71	-53	-92	-93	-99	-84
Net income	**673**	**1,357**	**1,748**	**504**	**1,460**	**1,320**	**3,966**	**1,813**

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

Gruppo Intesa Sanpaolo

Reclassified consolidated balance sheet

(in millions of euro)

Assets	30.09.2008	31.12.2007 restated (*)	Changes amount	Changes %	31.12.2007
Financial assets held for trading	49,564	52,927	-3,363	-6.4	52,725
Financial assets designated at fair value through profit and loss	20,479	21,699	-1,220	-5.6	19,996
Financial assets available for sale	30,687	40,224	-9,537	-23.7	36,908
Investments held to maturity	5,763	5,923	-160	-2.7	5,923
Due from banks	75,171	66,813	8,358	12.5	62,806
Loans to customers	385,795	355,172	30,623	8.6	334,073
Investments in associates and companies subject to joint control	3,441	3,264	177	5.4	3,522
Property, equipment and intangible assets	34,773	32,144	2,629	8.2	30,730
Tax assets	4,164	3,813	351	9.2	3,623
Non-current assets held for sale and discontinued operations	1,547	5,699	-4,152	-72.9	5,699
Other assets	22,464	17,666	4,798	27.2	16,897
Total Assets	**633,848**	**605,344**	**28,504**	**4.7**	**572,902**

Liabilities and Shareholders' Equity	30.09.2008	31.12.2007 restated (*)	Changes amount	Changes %	31.12.2007
Due to banks	64,135	73,480	-9,345	-12.7	67,683
Due to customers and securities issued	407,609	365,379	42,230	11.6	345,084
Financial liabilities held for trading	27,946	24,664	3,282	13.3	24,599
Financial liabilities designated at fair value through profit and loss	25,837	28,157	-2,320	-8.2	27,268
Tax liabilities	3,709	3,870	-161	-4.2	3,789
Liabilities associated with non-current assets held for sale and discontinued operations	1,432	4,756	-3,324	-69.9	4,756
Other liabilities	24,079	21,414	2,665	12.4	20,144
Technical reserves	21,151	23,464	-2,313	-9.9	21,563
Allowances for specific purpose	6,078	6,106	-28	-0.5	5,667
Share capital	6,647	6,647	-	-	6,647
Reserves	41,098	36,962	4,136	11.2	36,962
Valuation reserves	-714	699	-1,413		699
Minority interests	1,063	2,496	-1,433	-57.4	791
Net income	3,778	7,250	-3,472	-47.9	7,250
Total Liabilities and Shareholders' Equity	**633,848**	**605,344**	**28,504**	**4.7**	**572,902**

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

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

Assets	2008			2007 restated (*)			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	49,564	54,857	53,277	52,927	63,427	81,911	78,194
Financial assets designated at fair value through profit and loss	20,479	20,915	20,499	21,699	22,162	22,837	22,796
Financial assets available for sale	30,687	36,906	38,763	40,224	43,441	45,019	45,512
Investments held to maturity	5,763	5,976	5,709	5,923	5,847	5,973	5,899
Due from banks	75,171	71,092	69,892	66,813	68,254	67,323	67,589
Loans to customers	385,795	373,100	361,428	355,172	345,308	349,033	345,864
Investments in associates and companies subject to joint control	3,441	3,326	3,371	3,264	2,880	2,832	2,802
Property, equipment and intangible assets	34,773	34,680	32,948	32,144	32,185	32,622	33,205
Tax assets	4,164	4,162	3,770	3,813	4,969	4,484	4,910
Non-current assets held for sale and discontinued operations	1,547	1,826	1,887	5,699	8,908	14,418	14,678
Other assets	22,464	20,861	17,234	17,666	16,223	13,772	14,406
Total Assets	**633,848**	**627,701**	**608,778**	**605,344**	**613,604**	**640,224**	**635,855**

Liabilities and Shareholders' Equity	2008			2007 restated (*)			
	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	64,135	62,786	71,223	73,480	79,414	96,905	87,667
Due to customers and securities issued	407,609	393,250	367,325	365,379	357,313	362,220	359,495
Financial liabilities held for trading	27,946	29,831	29,988	24,664	27,782	28,626	28,739
Financial liabilities designated at fair value through profit and loss	25,837	26,512	26,905	28,157	29,068	29,352	28,467
Tax liabilities	3,709	3,739	4,620	3,870	5,621	5,361	6,608
Liabilities associated with non-current assets held for sale and discontinued operations	1,432	1,764	1,537	4,756	7,782	13,256	14,043
Other liabilities	24,079	29,888	27,065	21,414	19,942	18,476	25,227
Technical reserves	21,151	21,783	22,540	23,464	22,967	24,013	24,829
Allowances for specific purpose	6,078	6,545	6,615	6,106	6,594	6,059	6,474
Share capital	6,647	6,647	6,647	6,647	6,647	6,647	6,646
Reserves	41,098	41,109	41,154	36,962	8,453	8,424	8,393
Merger reserves	-	-	-	-	31,093	31,093	31,093
Valuation reserves	-714	-299	-49	699	934	1,283	1,120
Minority interests	1,063	1,041	1,460	2,496	3,248	3,223	3,088
Net income	3,778	3,105	1,748	7,250	6,746	5,286	3,966
Total Liabilities and Shareholders' Equity	**633,848**	**627,701**	**608,778**	**605,344**	**613,604**	**640,224**	**635,855**

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

Gruppo Intesa Sanpaolo

Breakdown of financial highlights and financial ratios by business area

Income statement (in millions of euro)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2008	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)
Operating income	9,426	9,619	1,808	2,219	239	219	1,668	1,494	259	288	503	543
Operating costs	-4,807	-4,998	-681	-701	-67	-70	-887	-776	-113	-128	-247	-254
Operating margin	4,619	4,621	1,127	1,518	172	149	781	718	146	160	256	289

Balance sheet (in millions of euro)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2008	**31.12.2007** restated (*)	**30.09.2008**	**31.12.2007** restated (*)	**30.09.2008**	**31.12.2007** restated (*)	**30.09.2008**	**31.12.2007** restated (*)	**30.09.2008**	**31.12.2007** restated (*)	**30.09.2008**	**31.12.2007** restated (*)
Loans to customers	218,530	210,087	95,475	87,880	38,398	33,906	29,393	23,725	-	8	1,608	905
Direct customer deposits	222,645	217,454	90,877	73,762	8,504	8,282	29,800	27,210	-	3	6,736	6,999

Profitability ratios (%)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.09.2008	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)	**30.09.2008**	**30.09.2007** restated (*)
Cost / Income	51.0	52.0	37.7	31.6	28.0	32.0	53.2	51.9	43.6	44.4	49.1	46.8
ROE before tax (a)	40.4	45.2	14.9	25.7	7.4	22.0	42.5	50.5	177.7	207.8	86.3	101.9
Economic Value Added (EVA®) (in millions of euro)	1,662	1,660	55	459	-52	22	282	301	96	100	134	176

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

(a) Ratio between Income (Loss) before tax from continuing operations and Allocated capital. Figure for the period is annualised.