

FITCH AFFIRMS INTESA SANPAOLO AT 'AA-'; OUTLOOK STABLE

Fitch Ratings-London/Milan-05 October 2010: Fitch Ratings has today affirmed the ratings of Intesa Sanpaolo (IntesaSP) at Long-term Issuer Default Rating (IDR) 'AA-' with a Stable Outlook, Short-term IDR 'F1+', Individual 'B', Support '1' and Support Rating Floor 'A-'. The Long-term IDR of IntesaSP's subsidiary bank Cassa di Risparmio di Firenze (CRF) was upgraded to 'AA-' from 'A+' and its Short-term IDR was upgraded to 'F1+' from 'F1' to reflect the completion of its full integration into the IntesaSP group; its other ratings were affirmed. The ratings of Intesa Sanpaolo's domestic bank subsidiaries Banca IMI and Banca Infrastrutture Innovazione e Sviluppo were affirmed, while the ratings of its foreign subsidiaries are not affected by this rating action. A full list of the rating actions is included at the end of this announcement.

IntesaSP's ratings are based on its operations as Italy's second-largest bank by total assets, its sound risk management, strong funding franchise and its adequate capitalisation, which Fitch expects to improve further. They also reflect deteriorated asset quality and pressure on operating profitability. The ratings of IntesaSP's domestic subsidiaries are based on potential support from their parent and reflect their full integration into the parent bank and their strategic importance to the group's operations.

IntesaSP's performance is likely to remain under pressure in 2010 and into 2011 in the low-interest rate environment that reduces the margin of customer deposits while the cost of credit remains high. The bank has reported moderate operating profitability throughout 2009 and 2010 to date, generating an operating return on average equity of about 5.7% for H110. Internal capital generation has benefited from extraordinary items, and Fitch notes that a further weakening of the ability to generate core earnings or increased earnings volatility might put the ratings under pressure.

Asset quality has deteriorated significantly during the recession and, at end-June 2010, the gross impaired loans-to-gross loans ratio was relatively high at 7.8% as compared to international peers. However, reserve coverage of doubtful loans remains adequate at 66.1% given the availability of security and collateral. Fitch expects asset quality to deteriorate further in H210, albeit at a slower pace than in 2009. A further sharp deterioration in asset quality, which Fitch currently does not expect, could put the bank's ratings under pressure. Market risk exposure is moderate and the bank's proprietary trading activities are modest.

The group's funding benefits from its strong franchise and customer deposits. Furthermore, bonds sold to customers are an important source of funding. Including bonds sold to the bank's customers, Fitch estimates that IntesaSP's loan/customer funding ratio at end-June 2010 was below 120%. In addition, Fitch considers IntesaSP's proven access to funding throughout the economic downturn to be a key strength for the bank. Liquidity is underpinned by a large portfolio of eligible assets, which amounted to EUR65bn at end-June 2010.

IntesaSP's capitalisation is adequate and has improved as the bank has sold non-core participations. Its end-June 2010 Fitch eligible capital ratio of 7.96% is below that reported by many international peers, but Fitch eligible capital is of high quality, reflected in its 7.32% Fitch core capital ratio. Eligible capital includes less than 8% of hybrid instruments, and the bank is making further asset disposals and should reach a Tier 1 regulatory capital ratio of 9.5% in the short term (end-June 2010: 8.9%), which Fitch considers adequate. The ratings might come under pressure if the bank fails to reach its target capitalisation.

The upgrade of CRF's Long- and Short-term IDRs and debt ratings reflects Fitch's view that following the completion of the integration into IntesaSP, CRF forms an integral part of the group. The withdrawal of the Individual rating reflects Fitch's view that following the reorganisation of

CRF within the group, the bank acts as part of IntesaSP's business unit and thus a stand-alone analysis of the entity is no longer meaningful.

The rating actions related to IntesaSP and its subsidiaries are as follows:

Intesa Sanpaolo:

Long-term IDR: affirmed at 'AA-'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Individual Rating: affirmed at 'B'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A-'

Senior debt: affirmed at 'AA-'/F1+'

Senior market-linked notes: affirmed at 'AA- emr'

Subordinated lower tier II debt: affirmed at 'A+'

Hybrid tier 1 instruments: affirmed at 'A'

Cassa di Risparmio di Firenze:

Long-term IDR: upgraded to 'AA-' from 'A+'; Outlook Stable

Short-term IDR: upgraded to 'F1+' from 'F1'

Individual Rating: affirmed at 'C' and withdrawn

Support Rating: affirmed at '1'

Senior debt: upgraded to 'AA-' from 'A+'

Senior market-linked notes: upgraded to 'AA- emr' from 'A+ emr'

Hybrid tier 1 and upper tier 2 instruments: upgraded to 'A' from 'A-'

Banca IMI:

Long-term IDR: affirmed at 'AA-'; Stable Outlook

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Senior debt: affirmed at 'AA-'

Banca Infrastrutture Innovazione e Sviluppo:

Long-term IDR: affirmed at 'AA-'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Global Financial Institution Criteria', dated 16 August 2010, and 'Rating Hybrid Securities', dated 29 December 2009 and 'Equity Credit for Hybrids & Other Capital Securities' dated 29 December 2009 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685

Rating Hybrid Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493086

Equity Credit for Hybrids & Other Capital Securities - Amended

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493112

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